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Canada. Railways, Canals and Telegraph
Series, Standing Committee
on, 1957

HOUSE OF COMMONS

Fifth Session—Twenty-second Parliament
1957

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UNIVERSITY OF TORONTO

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND
TELEGRAPH LINES

Chairman: H. B. McCULLOCH, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

BILL No. 15

(Letter I of the Senate), An Act respecting Trans Mountain
Oil Pipe Line Company.

THURSDAY, MARCH 7, 1957

WITNESSES:

Mr. D. M. Morrison, President; J. H. McQuarrie, Secretary; R. F. B.
Taylor, Treasurer, Trans Mountain Pipe Line Company; and Mr. Ian G.
Wahn, Registered Parliamentary Agent.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1957.

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: H. B. McCulloch, Esq.,

and Messrs:

Anderson	Garland	Langlois (<i>Gaspé</i>)
Barnett	Goode	Lavigne
Batten	Gourd (<i>Chapleau</i>)	Leboe
Bonnier	Green	Maltais
Boucher	Habel	McBain
Buchanan	‡Hahn	McIvor
Byrne	Hamilton (<i>York West</i>)	Meunier
Campbell	Harrison	Murphy (<i>Lambton West</i>)
Carter	Healy	Murphy (<i>Westmorland</i>)
Casselman	Herridge	Nesbitt
Cauchon	Hodgson	Nicholson
Cavers (<i>Vice-Chairman</i>)	Holowach	Nickle
Clark	Hosking	Nixon
Decore	Howe (<i>Wellington-Huron</i>)	Nowlan
Deschatlets	Huffman	Small
Dufresne	James	Purdy
Dupuis	Johnston (<i>Bow River</i>)	Viau
†Ellis	Kickham	Villeneuve
Follwell	Lafontaine	Vincent
Gagnon		Weselak

Antonio Plouffe,
Clerk of the Committee.

† Replaced by Mr. Cameron (*Nanaimo*)

‡ Replaced by Mr. Thomas.

ORDERS OF REFERENCE

MONDAY, March 4, 1957.

Ordered,—That the following Bill be referred to the said Committee:
Bill No. 15 (Letter I of the Senate), intituled: "An Act respecting Trans Mountain Oil Pipe Line Company".

WEDNESDAY, March 6, 1957.

Ordered,—That the name of Mr. Cameron (*Nanaimo*) be substituted for that of Mr. Ellis on the said Committee.

THURSDAY, March 7, 1957.

Ordered,—That the name of Mr. Thomas be substituted for that of Mr. Hahn on the said Committee.

Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE

FRIDAY, March 8, 1957.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as its

SIXTH REPORT

Your Committee has considered Bill No. 15 (Letter I of the Senate), intituled: "An Act respecting Trans Mountain Oil Pipe Line Company", and has agreed to report the said Bill without amendment.

A copy of the evidence adduced in relation to the said Bill is tabled herewith.

Respectfully submitted.

H. B. McCULLOCH,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, March 7, 1957

(3)

The Standing Committee on Railways, Canals and Telegraph Lines met at 11.00 a.m. Mr. H. B. McCulloch, Chairman, presided.

Members present: Messrs. Barnett, Bonnier, Byrne, Cameron (*Nanaimo*), Campbell, Carter, Casselman, Deschatelets, Follwell, Garland, Goode, Gourd (*Chapleau*), Green, Habel, Hahn, Hamilton (*York West*), Howe (*Wellington-Huron*), Johnston (*Bow River*), Kickham, Lafontaine, Lavigne, McCulloch (*Pictou*), McIvor, Meunier, Nicholson, Purdy, and Small. (27)

In attendance: Messrs. D. M. Morrison, President, J. H. McQuarrie, Secretary, and R. F. B. Taylor, Treasurer, of Trans Mountain Oil Pipe Line Company, all of Vancouver, B.C., and Ian G. Wahn, Parliamentary Agent, Toronto, Ontario.

Also in attendance: Mr. F. T. Fairey, Sponsor of the Bill.

The Committee commenced consideration of Bill 15 (Letter I of the Senate), intituled: "An Act respecting Trans Mountain Oil Pipe Line Company" referred to the Committee on Monday, March 4th last.

Mr. Fairey commented on the purpose of the Bill and the location of the pipe line. He introduced the above mentioned officers of the Company.

Mr. Morrison was called. He outlined the capacity of the pipeline and gave statistics concerning the deliveries of oil to Canadian and U.S. refineries with an estimate for the months of April, May and June.

Messrs. Taylor and McQuarrie were also called and jointly examined.

Mr. Morrison was questioned at some considerable length on matters arising out of the incorporation of his company. Mr. Taylor supplied answers relating to finance and Mr. McQuarrie relating to distribution of shareholdings in the Company, including shares held by the directors.

In respect of cost of carrying oil, Mr. Taylor quoted from the Stanford Research Institute.

At 12.55 p.m. Mr. Morrison's examination still continuing, the Committee adjourned until 4.00 o'clock this day.

AFTERNOON MEETING

(4)

The Committee resumed and concluded its consideration of Bill No. 15. The Chairman, Mr. McCulloch, presided.

Members present: Messrs. Anderson, Barnett, Byrne, Cameron (*Nanaimo*), Campbell, Carter, Casselman, Garland, Goode, Gourd (*Chapleau*), Green, Habel, Hamilton (*York West*), Johnston (*Bow River*), Kickham, Lafontaine, McCulloch (*Pictou*), McIvor, Nicholson, Purdy, Small, Thomas, and Weselak. (23)

In attendance: Same as at the morning sitting.

On motion of Mr. Habel, seconded by Mr. Garland,

Resolved,—That the Committee print 600 copies in English and 150 copies in French of its Minutes of Proceedings and Evidence in relation to Bill 15.

The examination of Messrs. Morrison, McQuarrie, Taylor and Wahn was continued.

After a general discussion and speaking on clause 1—proposed subdivision of shares—Mr. Goode moved, seconded by Mr. Follwell,

That Clause 1 of the said Bill be amended by deleting the word “five”, in line 11 thereof and substituting therefor the word “ten”, and by deleting the words “twenty millions” in line 14 and substituting therefor the words “fifty millions”.

The question being put on the amendment, it was resolved in the negative on the following division:

Yeas: Messrs. Casselman, Follwell, Goode, Green, Kickham, McIvor.—6

Nays: Messrs. Anderson, Barnett, Byrne, Cameron, Campbell, Carter, Gourd, Habel, Johnston, Lafontaine, Nicholson, Purdy, Thomas, and Weselak.—14

The question being put on Clause 1, it was carried on the following division:

Yeas: Messrs. Anderson, Byrne, Carter, Casselman, Follwell, Garland, Goode, Gourd, Green, Habel, Kickham, Lafontaine, McIvor, Purdy, and Weselak.—15

Nays: Messrs. Barnett, Cameron, Campbell, Johnston, Nicholson, Thomas.—6

Reverting to the Preamble, it was adopted.

The Title and the Bill were adopted.

The witnesses were retired.

Ordered,—That the Chairman report the Bill to the House without amendment.

At 5.50 o'clock p.m. the Committee having exhausted its business, adjourned to the call of the Chair.

Antonio Plouffe,
Assistant Chief Clerk of Committees.

EVIDENCE

THURSDAY, March 7, 1957.

The CHAIRMAN: Gentlemen, we have a quorum. We have before us today Bill No. 15 an act respecting Trans Mountain Oil Pipe Line Company. This bill has been referred to us for our consideration. The discussion on this point is on the preamble. Mr. Fairey is the sponsor of this bill. Would you like, at this time, to hear from Mr. Fairey.

Agreed.

Mr. FAIREY: Mr. Chairman and gentlemen it is my pleasure to present to you this amending bill respecting Trans Mountain Oil Pipe Line Company. The purpose of the bill is to change the stock structure.

When the company was organized in 1951 it was authorized to issue five million shares without nominal or par value. Because of the success of the company the officers felt it necessary and wise to change that structure. They are seeking authority to change it to this effect, that instead of issuing five million shares without nominal or par value they should be allowed to subdivide the shares so that there will be twenty-five million without nominal or par value. The purpose is to make the shares more readily available to the investing public. It is felt because the price of the shares on the market has risen so greatly that the small investor would be more inclined to purchase shares if they were reduced in price.

I would like to show the committee, if I may, a map prepared by the government of the province of British Columbia. Shown on the map is the location of the pipe line itself. It appears here marked in yellow. Commencing at Edmonton it goes through to Jasper, following mainly the Canadian National Railway, down the Thompson river and through to Vancouver; a distance of about 718 miles from Edmonton through Yellowhead Pass, down the Thompson and the Fraser rivers to Burnaby where there are refineries and where the oil is delivered. The oil is collected from Alberta and the company is a transmission company; it does not own the oil. In addition there is a spur line at Sumas down to the border and thence to the Pacific northwest.

Mr. Chairman and gentlemen, the officers of the company are here and they naturally know a good deal more about this than I. They have come here at the invitation of the committee and are prepared to answer any questions which members of the committee may wish to ask. The gentleman on the right is Mr. D. M. Morrison, president of the company. Next to him is Mr. I. G. Wahn, the parliamentary agent and lawyer for the company; Mr. J. H. McQuarrie, secretary of the company; and the gentleman on your left is Mr. R. F. B. Taylor, the treasurer of the company. Any of these gentlemen are here for questioning if you so wish.

Mr. McIVOR: Mr. Chairman, the reason why this bill is before us is the company cannot sell the shares because they are so high and the common people cannot afford to buy them, therefore they are reducing their shares.

The CHAIRMAN: Are there any questions which you would like to ask?

Mr. GOODE: Is the president of the company here? May we hear from him?

The CHAIRMAN: Mr. Morrison.

Mr. D. M. Morrison, President, Trans Mountain Oil Pipe Line Company, called.

By Mr. Goode:

Q. Mr. Morrison, Mr. Fairey said in his opening remarks that the pipe line went straight from Edmonton to Vancouver. What is the carrying capacity, that is the present carrying capacity of the line to Burnaby, and the carrying capacity at present being used on the Sumas cut-off; in particular I am interested in how much oil is coming to Canadian consumers at Vancouver and how much oil is going to keep in operation a very large refinery at Ferndale in the United States.—A. The present capacity of the line is—we will call it—185,000 barrels per day. That permits a little leeway in that the pumps are working without any interruption and have done as much as 190,000 plus. Say 195,000 barrels for a 24 hour period; we call it 185,000. That has just been raised to that figure by virtue of the temporary stations which were put in at Jasper and at Canford along the line. Those will all be replaced by two permanent stations with multiple pumps instead of just one pump and the capacity will be 200,000 barrels.

By Mr. Johnston (Bow River):

Q. Will that put it at the maximum capacity?—A. That will be the capacity which we can put into the line and take out.

Q. So that with your present stations that is the total capacity of the pipes?—A. To answer that properly might take a little bit of time. The line was first conceived to have an ultimate capacity of something like 200,000 barrels a day.

Q. Is that a 34 inch pipe?—A. No. A 24 inch pipe. But they did not put in the pumping stations to give it that. Before it was actually built the capacity was to be 300,000 barrels. In the past year or so with the Suez situation and the great increase in oil discoveries in the prairies we have had a complete new engineering study made and also a study made of the future position by the Stanford Research Institute. It may be, in years to come, the capacity of the line will be four, five, or six hundred thousand barrels.

Q. Will you have to put in new pipes in order to have that capacity?—A. Yes. That will change the concept of this single line. Eventually there will be a second line with as many stations as we put in. The ultimate capacity of the system, as conceived now, is really—I won't say indefinite—an ultimate capacity of five or six hundred thousand barrels a day. I believe that part of the original question had to do with deliveries to the United States and Canada. I will go back to 1953. In 1953 there were 16,000 barrels a day delivered to Canadian refineries.

By Mr. Goode:

Q. This is in 1953?—A. Yes. 16,739 barrels a day to Canadian refineries. There was nothing going to American refineries and there were no American refineries in the area. We only operated for a short time, from October 17, in 1953. In 1954, 37,296 barrels per day went to Canadian refineries and nothing to the United States; also there was nothing off-shore. In 1955 things began to move. A refinery was built in the United States operating and another refinery building. 52,902 barrels a day went to Canadian refineries which had increased their own capacity very greatly during that period and 31,080 to the Washington refinery. In 1956, 59,590 barrels per day went to Canadian refineries and 52,490 barrels per day went to Washington refineries; and 17,023 barrels per day to tankers from Burnaby, that is tank ships. The percentages are 46.1 per cent, approximately, to Canadian refineries; 40.7 per cent to Washington refineries; 13.2 per cent to tankers off-shore from Burnaby.

Q. Will you tell us something about 1957. You have already made some deliveries, I take it, and you have contracted for others?—A. Due to these temporary stations the capacity has gone up. In January 71,150 barrels a day went to Canadian refineries.

By Mr. Johnston (Bow River):

Q. What was that again?

Mr. GOODE: 71,150.

The WITNESS: I will give you the first quarter, January, February and what we think will happen in March. To Canadian refineries there were 78,500 barrels; to the Washington refineries—I beg your pardon. That is in March.

By Mr. Goode:

Q. What was the figure for the United States for the first quarter this year?—A. I thought that was for the first quarter, but I find it was actually for March. I do not have those summarized.

By Mr. Hamilton (York West):

Q. Will you give us that figure for the United States which is expected in March?

By Mr. Goode:

Q. Can you give us the Canadian figures in the quarter?—A. No. I am sorry but I was reading under the month of March.

By Mr. Johnston (Bow River):

Q. The figures which you have given are for March?—A. That is the estimate for March.

By Mr. Goode:

Q. What about January and February?

By Mr. Hamilton (York West):

Q. Would you repeat the figures for March?—A. For Canadian refineries 70,500, for Washington refineries 67,000.

By Mr. Goode:

Q. I have a figure of 71,150. What was that?—A. I thought I had this thing summarized for the quarter and started off with the January figure, and cancelled that and then started to read what were the figures for March when I thought I was reading the quarter.

Q. Would you like to give us the figures for January, February and March in 1957?—A. January 1, of Canadian refineries 71,150, Washington refineries 84,859, tankers 33,368. February, Canadian refineries 76,000, Washington 74,500, tankers 26,500.

By Mr. Green:

Q. What were the figures for the tankers?—A. 26,500. Do you want me to repeat March?

Q. Yes.—A. 78,500 Canadian, Washington 67,000, tankers 33,000.

By Mr. Nicholson:

Q. Are these Canadian or American gallons?—A. These are barrels. The barrel is 42 United States and 35 Canadian. I can give you the totals. I might

say by way of explanation of these figures that these are deliveries and deliveries can vary somewhat from the pumpings for any one period because we have a large storage at Edmonton and a large storage at Burnaby, and if we have high inventories we might ship more than we pump. If inventories are low and orders are high we can pump a bit more than we can ship but over the year it would be pretty much the same.

By Mr. Goode:

Q. I am anxious to know what is going to happen in 1957 so I should like you to explain to the committee how you contract for the oil to go through the line for future delivery. Your company most likely knows how much oil you will deliver in 1957.—A. We do not own the oil; we are not selling oil to anyone. I will make one little correction there. We do get a percentage to cover losses and if it accumulates we can sell it, but that is a sort of operating feature. We simply are a transportation company. There is a pressure from the prairies, from the Edmonton area to move out more oil than we can pump and there are purchases, I understand, for more oil than we can pump. We get requests for deliveries of oil and we carry them out. We deliver first of all to the Canadian refineries. They get all of their requirements. If there is any favouritism or anything of that sort it will go next to the connecting refineries and the main sellers then sell what is offered to whatever companies they wish to deliver to. It is just as simple as that.

Q. How do you know, Mr. Morrison, approximately what oil you are going to carry April and May?—A. We get estimates.

Q. You do not conduct a pipe line without knowing what business you are going to get. What are your estimates for April, May and June, both Canadian and United States?—A. These, you will understand are just estimates and they are based on our ability to pump really more than we should. That is, we are straining, every pump is in use; there are no spares, and we hope to do this. Whether we will or not will depend upon how the machinery behaves. April, 72,500 to Canadian refineries; 76,000 to Washington; tankers, we hope, 42,500. May, 74,000 to Canadian refineries; 76,000 to Washington; 44,000 tankers. You said, April, May and June?

Q. And June, please. I do not think I should ask you to go further than June.—A. June, 74,000 Canadian; 76,000 Washington; 49,000 tankers.

Mr. McIVOR: On the increase—

By Mr. Barnett:

Q. Could you give us some idea as to the destination of the oil being loaded?—A. I cannot in the future but I can in the past. We are told what tankers have come in and I have a list of the tankers but I did not bring it, of the tankers we had last year. We had 53. The first one happened to come just over the turn of the year. I think it was loaded on the 1st of January, and at the end of the year there were 53 and most of these were for California, San Francisco, that is the bay area. There were two for Japan and one for France, I believe. I think that is all. Now, some of these tankers I suppose came because of the strike that occurred in Anacortes refinery at Washington State and some of the oil that made up the run there went down to the San Francisco bay, but where it goes and who gets it is really not an affair of ours.

By Mr. Goode:

Q. You do know that there are large refineries in the State of Washington whose only job is to use the oil that comes through the Sumas cut-off.—A. I

wouldn't say that. Two refineries operating in Washington have first-rate docks which are better than we have. They can receive oil from any place in the world.

Q. Was the Ferndale refinery constructed before this parliament gave permission for the Sumas cut-off; the Ferndale refinery was built subsequent to the decision of the House of Commons, wasn't it?—A. I don't think so but I am relatively a newcomer.

Q. Can someone tell me? Which came first, the decision of the house or the Ferndale refinery?—A. This is happening right now. There are in any event two or three refineries in Washington and as soon as they are affirmed we will start building.

Q. Is it not true or can you get advice from your officials that there would be no Ferndale refinery unless permission had been granted for this Sumas cut-off; is that a true statement or not?—A. I could not speculate; it is just an opinion.

Q. Is there one of your officials who can tell me the position?—A. I do not think so; it is still an opinion.

Q. Do you know anything about the Ferndale refinery, where they got their stock of oil from?—A. It was my understanding all through last year before Suez it was both Venezuela and Canadian oil and whichever was the cheaper they would run.

Q. Is it not true that without Canadian oil the Ferndale refinery could not operate?—A. It could operate, certainly.

Q. Where could they get their oil?—A. It is a world-wide affair and that is a world-wide company. It is Socony Vacuum and General Petroleum. They have holdings surely in Venezuela. They certainly have a contract to get oil from Venezuela and the east. It is purely a matter of tankers and tanker rates. They were running Venezuela oil. That is an international affair.

Q. They were getting oil from South America until when?—A. Until Suez.

Q. Could they get, in your opinion, oil from South America at the present time?—A. As I say, that is just an opinion. I do not know what their contracts are. They own oil in these countries, and if they wanted to pay the price and they could run it competitively and sell it at competitive prices, they would.

Q. Would you accept this opinion, and it is my own opinion, that the Ferndale refinery could not operate without the Sumas cut-off and the oil that is being carried through that cut-off?—A. I would not make any comment on that.

Q. Are there not any officers who could tell me?—A. They are free to, if they wish.

Mr. TAYLOR: I was going to say there is a smaller refinery in the Seattle area which is not connected to the pipe line.

The WITNESS: As a matter of fact, we do not know how they are going to get their oil.

By Mr. Cameron (Nanaimo):

Q. What was it that induced your company to build the Sumas cut-off?—A. Refineries to be built in the United States.

Q. What assurances did you get from these refineries that they would be in the market for oil carried by your pipe line?—A. There must have been some assurances. The people that are buying and selling oil would tell us that they could sell oil there. We did not sponsor any such thing. It was not part of our business. We are simply a transportation company. You would have to go to the people that own the oil on the prairie: Imperial Oil, B.A. Oil and

Gulf. They would sell oil—perhaps General Petroleum have production in Canada. Maybe, they wanted to transport their oil from Edmonton to Washington.

Q. Do you mean that your company will build a cut-off line anywhere you can get permission for that without definite assurances?—A. No.

Q. That brings me back to the initial point. What assurances did you have?

Mr. WAHN: We were informed at the time that it was likely that refineries would be built in that area because that area was short of refinery capacity but we have no contractual assurances from any of the refineries and we still have none. I do not know whether or not they will take oil through the Trans Mountain pipe lines. It is simply a question that we think it is an economical way for them to take oil from Alberta.

By Mr. Cameron (Nanaimo):

Q. Can I ask you to enlarge on that statement that you made, that you think it would be economical and desirable for them to have oil through your pipe lines? Would you explain? Do you agree with Mr. Goode's suggestion that it is so economically desirable that it is the only basis upon which the Ferndale refinery can operate?—A. We hope so.

Mr. WAHN: I am not sure that I understand the question completely. Whether it is cheaper for them to buy Canadian oil or oil from the Middle East or elsewhere—I am not an expert on this subject, but it depends upon tanker rates, the cost of transporting the oil from these other sources to the Ferndale refinery. We are not experts on that phase of the matter at all. I presume they could. They might have to pay more for it.

Mr. CAMERON (Nanaimo): What was the basis of the very substantial investments made?

The WITNESS: When you say "could" it is physically possible for the refinery to run on Middle East and Venezuela oil, I think they would be silly to take Canadian oil if they could get Venezuela oil cheaper.

By Mr. Goode:

Q. Either you or some of your officials must know the cost of Venezuela oil laid down in the Ferndale refinery and Canadian oil laid down there?—A. I can get it but it is of no significance to me.

Q. It is to me. I am going to ask the chairman if he will get those figures. I should like to get the laid-down cost of Venezuela oil and the cost of Canadian oil laid down in the Ferndale refinery before this committee ends.—A. Then the Stanford Research Institute does have a small table.

Q. Do you have a copy of it?

Mr. TAYLOR: Yes; it is on the third or fourth page.

The WITNESS: This is the best advice that we can get. The Dechtel Corporation who are managing our construction program for us at the Stanford Research Institute and at our request are making a survey as to what they think the future will be on the west coast, and that is California, British Columbia and everything else.

This paragraph: "Cost of imported crude oil". I suppose this is considered a confidential report. It is one that we are going to pay the Stanford Research Institute for. They are an independent research organization. At U.S.M.C., that is, United States Marine Commission, that is the standard of tanker rates at least in this part of the world and probably all over the world the basic tanker rates on Alberta crude is about 80 cents per barrel cheaper than the Middle East crude. It is my understanding that some major purchasers are now

importing Arabian oil at U.S.M.C. minus 35. That is, when this was offered the tanker rates were very low; they were much below U.S.M.C. minus 35 but it was not economical for these companies to take Canadian oil at the price that they would have to pay to be laid down, to pay the tanker rates they could then get. They are now importing Arabian crude at the U.S.M.C. rate minus 35 per cent, with the result that the present delivery cost of this crude is less per dollar than the \$3.45 figure for Alberta crude. That is the only figure I have for Alberta crude laid down in the northwest. Similarly Sumatra crude is about \$4.30 delivered to California ports at the basic tanker rate. The basic tanker rate would be the U.S.M.C., on the \$3.50 per barrel at the U.S.M.C. rate, minus 35 per cent. Therefore, at the present relative well-head prices for crude, the future competitive situation of the California import market to be served by the overseas suppliers, depends on the availability of tankers and the effect that this availability will have on the future tanker rates. So, it is simply a matter of tanker rates. If they go up, then the Alberta crude is in a preferred position. If they go down, then the other crudes may be in a preferred position.

By Mr. Goode:

Q. But it does cost money to bring the oil from California into the Ferndale refinery. I think, unless I mistook your figures, that you quoted them as ex-California ports.—A. Not ex-California. I did not say anything about ex-California ports. That was Arabian crude, and Sumatra crude.

Q. Delivered where?—A. Delivered to the Washington refinery.

Q. You said to the California ports.—A. Did I say to the California ports? Oh, yes, to California.

Q. What is the cost of delivering oil from any given California port to the Ferndale refinery?—A. When they were delivering oil at U.S.M.C., minus 35 per cent, I think the rate from Burnaby to San Francisco bay was between 20 and 27 cents. Do you confirm that?

Mr. WAHN: I do not remember that.

The WITNESS: Their cost, of course, depends on the distance they have to transport it.

Mr. BYRNE: With the clearing of the Suez, and the clearing of the middle east situation, will it not make a difference in the rates?

The WITNESS: I wish I knew the answer to those things. There is a production change going on. They are building these numerous tankers—the biggest ones will not go through the Suez.

The Suez may, and I am not professing anything, but it may simply have precipitated a situation that might have come about in four or five, six or seven—I do not know how many years. It is cheaper to transport these enormous quantities of oil in these huge tankers.

By Mr. Hahn:

Q. Mr. Chairman, possibly the witness might clarify his statement by informing the committee whether the price, he quoted, of crude oil delivered to California by tanker would be at all similar to the prices that the same tankers would charge to deliver it to Seattle, and to transport it to Ferndale?—A. Frankly, you are getting me out of the territory that my company covers. That is not our business.

Q. Mr. Chairman, with all due respect to the witness' suggestion, I think I can see what Mr. Goode and some of the other members of the committee are trying to get at. The suggestion has been made that the Ferndale refinery

would not have been built—this is my interpretation—without the Trans Mountain line taking oil into the Ferndale area. Now, if you could establish to the—I do not know what purpose it is for, actually—but if you could establish that the price of oil, delivered in Ferndale, is competitive to the price of oil coming by tanker from the Arabic ports, or Venezuela, that would be an answer to the question in so far as we are concerned. The matter seems to be that we are exporting Canadian oils, which is a natural resource, and there seems to be some concern about it. Now, whether it is competitive, or not, plays an important part in the over-all factor. Is it possible that you could give us figures to indicate that such is the case? Would the same prices of crude oil, delivered by tanker from the Persian gulf to California, be quoted at Ferndale?—A. Frankly, it is not a thing that I ever bother my head about, and I am not up-to-date on that.

I can say this, that the pressure from Alberta is such that all Canadian refineries can get all the oil that they can run in the foreseeable future. There is a great deal available for export. Now, Canada is short of foreign exchange, of United States dollars, and apparently they want to export oil to as great a capacity as possible. I went to see the Premier in Edmonton, and he said that there was a great deal of oil that they would like to move out. It is what they call the "M.E.R.". The mean economic recovery in Alberta is 200,000 or 300,000 barrels of oil a day greater than the present sale of that oil.

Q. Is not the reason behind the pressure from Alberta, by reason of the fact that they have to get rid of that oil in order to dispose of the gas?—A. No. I think that it is just a normal growth of the business. The oil has been discovered, and it has cost a tremendous amount of money to find that oil. If you left it in the ground, the companies are going to go broke—those companies that spent the money to find it. They have got to get rid of it. It is the normal commercial business. The oil companies have to find buyers for it. We are simply in the middle. They say to us, look, you are going to be delivered so much oil in Edmonton, and you deliver it to the Burnaby refineries, and to other refineries in Canada, and to refineries in the States.

Q. You are satisfying the Canadian demands so far as the refineries are concerned?—A. Absolutely, and they have expanded greatly since the line was built.

By Mr. Byrne:

Q. Do you know of any plans for future development of refineries on the Pacific coast?—A. Just what I have read in the newspapers. There was word of a B.A. refinery in Vancouver, and there has been talk of it for several years. But, I have no authoritative knowledge about it. But, in Washington, three or four major companies have talked about it, and have actually purchased sites. There is one contract already let for the construction of a new refinery right next door to the Shell refinery at Anacortes.

Q. These questions are obviously out of order in any case, Mr. Chairman. I wonder if we should not get down to the question that we are here to consider.

The CHAIRMAN: Would you speak a little louder?

Mr. BYRNE: I think that the line of questioning we are following is somewhat out of order. We are here mainly for the purpose of determining whether the shares should be split one to five. We went through most of this type of discussion at the time this company was incorporated, and I have not found, or have not heard anything new in the questioning that we have had this morning. The company was incorporated, and we are now here in respect of a division of the shares. I think we should get down to the question of the financing of the company.

By Mr. Follwell:

Q. Mr. Chairman, before we get to the meat of the bill, I might be permitted to ask one or two questions arising out of what I have heard here.

It was suggested, or asked, rather, of you, sir, if there was a sufficient quantity of oil to satisfy the Canadian market. That, I presume, has nothing whatever to do with you. You are just a common carrier, and whoever owns the oil, that you transport, places it wherever they want it placed, in accordance with the regulations of our country, and to the best economic advantage. You do not have anything to say as to where the oil is going, or if it is going to the United States, or if it is staying in Canada?—A. We have not been declared a common carrier.

Q. I see.—A. So there is a certain amount of leeway. Whereas, I think we would do whatever was in our power to see that the Canadian refineries got their oil. That was the backbone of the system, and that was the reason Trans Mountain was built—to supply these Canadian refineries. They were the ones that were sure to take Canadian oil.

Mr. Taylor has just looked up a figure here, and he says that when the Ferndale refinery first started, the petroleum refinery was taking one half Alberta crude oil and half imported crude oil. It was ready to go in either direction, depending on the economics at that time.

We were not assured of 100 per cent, or any fraction of their throughput for the future. The same thing applied to the Shell refinery. Shell was supposed to take 50 per cent Venezuelan crude oil and 50 per cent Canadian oil.

Q. In view of the fact that you are not a common carrier, could you refuse to carry oil if you wished?—A. I think we would very quickly be declared a common carrier if we did any refusing. We act as a common carrier, but there has been no—I do not know what you would call it—dictamen of some sort, or formal order, or formal declaration by the Board of Transport Commissioners, declaring us a common carrier.

Q. I think you indicated this morning that your pipe line is now taxed to the complete availability of it? You are operating now at 100 per cent capacity, are you?—A. We have an expansion program underway. It has been a crash program. When I went to Trans Mountain first, the first thing we did was to order some spare pumps and engines, because we had no spare ones on the system. They have never been able to function as spares. As soon as one was delivered, it went into operation, and has been running ever since. We still do not have any spares. We have been trying to keep up with the increase.

Q. When you acquire spare pumps, they do not increase the capacity of your line?—A. No. That was not the object, it was to maintain the through-put.

Q. So that if you had a breakdown, you would not be able to do that?—A. We had a quick fire at the temporary station at Jasper, and the through-put dropped 20,000 barrels a day.

By Mr. Hamilton (York West):

Q. What is the size of this line?—A. Twenty-four inch.

Mr. GREEN: Mr. Morrison, I am inclined to be neutral here, at the moment, until I see what this is all about. I think one of your big problems is caused by the debate that took place when this company was originally incorporated.

I have here *Hansard* for March 6, 1951. Mr. Lang, who was the original sponsor of your incorporating bill, had this to say:

The capacity may be increased by pumping pressure to an estimated 200,000 barrels per day. Marine terminal and storage tanks will be built in the port of Vancouver for the shipment of that part of the oil delivered to that port which cannot be consumed in the province of British Columbia.

From that, I think it was understood that it would be entirely within Canada.

The WITNESS: The line.

By Mr. Green:

Q. I beg your pardon?—A. The line.

Q. I think it was understood that everything would come to Vancouver. There was no talk about a branch line to the states.

When the bill came before this committee in 1951, and I am reading from the report of March 19 of that year—there were different questions asked, and at page 89 Mr. Robinson, the present deputy speaker, asked a question. I think the witness was Sydney Martin Blair.—A. Yes, but I am not sure.

Q. I am not sure what his position was at that time.

Mr. GOODE: He was the vice-president of the company.

Mr. GREEN: Mr. Robinson said:

Q. I would just like to get your idea of the effect of the amendment should your intention change in the future?

That amendment was one providing that the main line was to be in Canada.

Should your intentions in the future come to be along the line that you would like to extend your pipe line into the states, do you think, or would you consider that you would be bound by that amendment and that you could not do so?

And then the answer:

A. I would understand that amendment, sir, as meaning that we were confining our operations to Canada, in accordance with our present plans. We do not visualize any pipe line outside of our own country.

Then Mr. Robinson asked:

Q. Let me put it this way. Suppose you want to go into the United States, do you think that you would have to come back to parliament and ask to have other powers? I just want to get your idea on how far the amendment would bind you?

The answer was:

A. I do not know that I am in a position to answer that legal question. We are just not planning that sort of legal development.

Mr. NICHOLSON: What year was that again, please?

Mr. GREEN: 1951. And on page 92 there was a further question asked by Mr. Robinson as follows:

Q. I have an additional question, Mr. Chairman. What do you contemplate doing with the excess, with the amount over the 30,000 barrels out of your prospective 70,000 barrels per day, which would be the capacity of your pipe line?—A. I think it would be exported.

Then on page 93 Mr. Robinson asked this question:

Q. Mr. Bridges, I presume the excess would be exported; how would it be exported, by barge?—A. By tanker or barge.

Q. From what contemplated place?—A. You understand it would be the oil companies doing this. We merely deliver the oil at the terminal, but we would assume that it would be going down into the states.

Q. And by tanker?—A. By tanker and barge.

Q. Not by an extension of your line?—A. Not in so far as the pipe line company is concerned.

Q. You agreed in answer to a previous question that there was no intention of extending this line southerly to the United States?—A. We expect to have a marine terminal with an initial storage capacity of a million barrels at Vancouver. If our line can be developed to carry 200,000 barrels per day that storage capacity will necessarily increase.

That of course was referring to the storage capacity in Vancouver. Then there was a question asked by Mr. Murray and then an interjection by Mr. Lennard who said:

This company is going to be a common carrier which does not mean that there is going to be anything to prevent another company from picking up that oil at Vancouver—a company whose oil is not being transported over the pipe line—picking up that oil at Vancouver and taking it by pipe line to points in the United States.

The WITNESS: That has not been suggested.

So that is the difficulty you are facing today. The suggestion has been made that the whole plan of the company has been changed and that instead of the oil all coming into Vancouver and then for any surplus to go by barge or tanker, there is now a large quantity of oil going into Washington state. That seems to be the case.

The WITNESS: At that time there was no large refinery in Washington. There was a little one in Spokane. I submit that everything which is said there was said truthfully and accurately. There would be no sense in building a line down into the States to operate down there. With everything going to California, Japan or France at that time the oil would have been expected to go to Burnaby and to be shipped out from there. That is why they built the big storage tanks there.

By Mr. Green:

Q. I think there is a suggestion that all the time it was known that there would be refineries in the States; in other words, that the committee in 1951 probably did not get the whole story. But I may be wrong in that.—A. I think it was after the trans-mountain line was built—certainly after it was conceived—or when construction started on it, that major oil companies began to think of building refineries in Washington. For years I was with the Shell company and they had refineries in Martinez on San Francisco Bay and in Los Angeles and they supplied their north west market by tankers out of those ports through terminals in Washington and Oregon. I think all the other companies did likewise. Now, a line at that time to tap the volume of Canadian crude was a doubtful matter. But great discoveries have taken place since which have changed the whole picture.

By Mr. Goode:

Q. You said to me—I do not want to suggest that this was said in any error—but you said to me in answer to my question when I was questioning you about the date of the refinery at Ferndale and the Sumas cut-off, you told me that you were not sure if there was any relationship between them. But you have answered Mr. Green by saying that at the time that evidence was given there was no refinery at Ferndale and you intimated that because of the decision to build at Sumas a cut-off, the refinery at Ferndale was built.—A. I am probably just guessing because I do not know what was then in their minds. I had no connection.

Q. Is it not fair for me sitting on this committee to assume that the line through Sumas would not have been built unless you had some contract or understanding with United States oil companies that they were going to have refineries within close proximity to the United States-Canadian border?

—A. I would not agree with that at all. If you take a line such as that line, I suppose any business man looking at the north west territory would consider it to be a sort of vacuum from the point of view of crude supply and product supply. Now, if you are spending the amount of money that would have to be spent to build a line from Edmonton to Vancouver, and if there was supposed to be a line going down there, you would put a connection in at that point. You might put one in at Kamloops. If you are going to build a line, if there is any chance of building one, you do not want to shut down your whole line to install connections on it when for a few dollars you could put them in when you are building it. There are other connections in that line where we could take off if we expected to have a pumping station. You would put in some type of connection in that place in the way of valves and flanges in the line. You had 200,000 barrels a day which are considered to be the ultimate conception of the thing at that time, and at the rate of 45 cents a barrel, if you shut it down for a whole day you lost a lot of money, and if you shut it down for a week or two weeks, you would lose a lot more. But there is no harm in spending \$5,000 to put in a valve— or even \$10,000, whatever it may cost—in order to prepare for the future. To do so is simply good foresight.

Q. I think Mr. Blair told us an entirely different story in 1951. I made a speech in the house on it some time after Mr. Blair told this committee that there was a line there going to Vancouver. Mr. Green has read the evidence and there is no doubt that this committee was given to understand that the line was going to Vancouver, or to Burnaby as it turned out; and there was no intimation of any line going to the United States. He definitely assured this committee that there would be no line going to the United States. Now we are told that the line was built to the United States border on speculation entirely, and that it was not because of any plan of a refinery at Fern-
dale. I am sorry,—and I say this with all respect—but I cannot accept evidence of that kind.

I do not think that the Trans-Mountain Oil Pipeline Company built the line from Sumas down to the United States border unless they had some form of understanding that out of that line would come about a great refinery in the United States which would employ United States citizens using Canadian oil.

Mr. I. G. WAHN (*Parliamentary agent*): I was present at that time, Mr. Chairman, and my recollection, while it may be a bit vague, is that back in 1951 there was no refinery at all in the Washington area. I think probably it would have been uneconomic for any pipe line to be built from the Canadian border all the way down to California. The California market was the only one and the rates were very low at that time, so far as I know. I am sure that Mr. Blair was quite honest when he made his remarks in March 1951, and at that time there was no reason to build a line down to the United States. There was no such intention. Even in December 1951 we offered our bonds to the public and there was no such intention because it is not referred to in the prospectus put out in December. But that was almost a year after Mr. Blair made his remarks, so I feel it is a little unfair even to imply or to suggest that Mr. Blair ever intended to mislead the committee or that he did so. It was because at that time there was no intention on the part of Trans-Mountain, to build a line to the United States. A spur line was not built until a considerable time after that.

By Mr. Byrne:

Q. Mr. Chairman, it seems to me that we are getting a long way from the bill which is before us. We came here to discuss whether we should agree to a split of the shares of this company and I wonder if we might ask the witnesses to give us any information as to the present distribution of the stock, whether it be held in large or small blocks, and how many shareholders there are.—A. The same question was asked in the Senate committee and I was not able to give a very good answer. But since then Mr. McQuarrie has looked it up and he will give you the best figures he has been able to secure.

Mr. MCQUARRIE: Mr. Chairman and gentlemen, a recent examination of our shart register indicates the following distribution of share holdings of the company: in Canada there is a total of 4,943 shareholders of which 4,467 are Canadian individuals, and the balance of 476 shareholders is made up of Canadian companies.

Mr. FOLLWELL: Have you got the stock distribution?

Mr. MCQUARRIE: Yes. Let us start this way: in Canada, the United States and all others; in Canada, 4,467 individuals own a total of 263,173 shares.

Mr. JOHNSTON (*Bow River*): What was that figure again, please?

Mr. MCQUARRIE: It was 4,467. Those were Canadian individual shareholders; and those 4,467 individual shareholders in Canada own 263,173 shares. 476 Canadian companies own 800,419 shares.

Mr. JOHNSTON (*Bow River*): In those Canadian companies what proportion of the shareholders are Canadian citizens or would you know that?

Mr. MCQUARRIE: All we know is the name of the shareholder and his address. That is the way these figures were arrived at.

Mr. CAMERON (*Nanaimo*): Are these oil companies or what kind of business are they in?

Mr. MCQUARRIE: They are in all sorts of business; some are investment people, insurance companies, and all sorts of people who have money to invest.

Mr. FOLLWELL: They are all incorporated companies?

Mr. MCQUARRIE: Yes, they are all incorporated companies of all kinds.

Mr. NICHOLSON: You have not got a break-down of those companies to show what percentage are oil companies?

Mr. MCQUARRIE: No. Nothing like that. There is a grand total.

Mr. NICHOLSON: 476,000.

Mr. MCQUARRIE: Yes.

Mr. NICHOLSON: You do not have a breakdown of them?

Mr. MCQUARRIE: No. I have given you the number of Canadian individuals who own shares, the number of shares, and the number of Canadian companies, and their number of shares. The total number of shareholders in Canada is 4,943 and they own 1,063,502 shares. Next we come to the United States' shareholders and taking individuals first there are 718 private persons in the United States who own shares. They own a total of 93,062 shares. The total number of American companies owning shares is 122. They own a total of 342,114. The next category is all others: we have had Canadian and United States. Now, taking all others together, we have two individuals in the rest of the world who own shares and the two individuals own 45 shares. There are 21 foreign companies and they own 6,115 shares.

Mr. JOHNSTON (*Bow River*): They own how much?

Mr. MCQUARRIE: 6,115.

Mr. JOHNSTON (*Bow River*): Of those foreign companies could you break that down as to how many are British and how many are others?

Mr. MCQUARRIE: I have no breakdown but my recollection is that most of them are British.

Mr. HAHN: Does the U.S.S.R. own any of these shares?

Mr. MCQUARRIE: No they do not. That makes a grand total of 5,806 shareholders and of course they own all of the issued shares which amount to 1,504,928.

Mr. PURDY: There are over 1 million shares in the treasury?

Mr. MCQUARRIE: There are almost $3\frac{1}{2}$ million in the treasury.

Mr. NICHOLSON: You are authorized to issue 5 million?

Mr. MCQUARRIE: That is correct.

Mr. HAMILTON (*York West*): What is the last quoted price?

Mr. MCQUARRIE: According to the newspaper item I saw yesterday it was \$117.

The WITNESS: If I might interject, there was a statement made when we were discussing this provision to the effect that the company wanted to sell more shares. It is not the company; it is the trading on the market. The company is not selling any more shares.

By Mr. Hamilton (York West):

Q. The company could sell more shares?—A. Yes, but it was stated that this was a desire on the part of the company.

By Mr. Cameron (Nanaimo):

Q. Mr. Morrison, it is stated in the bill: "... the company wishes to achieve a wide distribution ...".—A. A wider distribution by those holding shares.

Q. The company surely is not in a position to dictate to its shareholders.—A. No. It is merely that by cutting down the unit of value there will be a wider distribution of the existing shares, not that additional shares will be issued.

By Mr. Hamilton (York West):

Q. Of what advantage is that to the company?—A. None.

By Mr. Green:

Q. Why then does the company ask for the splitting of shares if the company has no plans for selling shares?—A. I think it is to anticipate something which may be suggested later. There was a most pertinent comment made at the last meeting of the committee, if I am permitted to quote: isn't that just what we made the banks do a year ago; what the government made the banks do a year ago. I understand from the comment of some that the banks were requested to do just what we are asking permission to do.

By Mr. Hahn:

Q. You said there were 5,806 shareholders and 1,004,928 shares. Those are all shares which the company has sold?—A. Yes.

Q. That leaves a balance of shares held by the company of approximately $3\frac{1}{2}$ million. When you say they want to distribute them more widely what bothers me is why would you not distribute these three million and some odd shares that the company still owns to the public so that there will be a wider distribution in that way rather than divide the shares.

Mr. McQUARRIE: That is an entirely different matter. That would mean issuing more shares from the treasury.

Mr. HAHN: What would be the difference? It would be a wider distribution, if that is your purpose.

Mr. McQUARRIE: It would not be a wider distribution. They would be sold at the present price and I suppose if we were to get the best financial advice it would be that it would be a poor practice because it would dilute the value of the shares which the present stockholders now own.

By Mr. Hahn:

Q. What was the purpose of the company holding more than 3 million shares rather than putting them on the market. At the time when the price was down to say \$10 or probably increased to \$15 or \$20 why did they not put them on the market?—A. That is a matter of the over-all financing of the company.

Q. I think that is one of the main issues at stake.—A. But I do not think it has anything to do with the actual splitting of the stock. It is the opinion of our financial advisers that if they were at about a fifth of that value that there would be a wider distribution. Mr. McQuarrie quoted a story to the effect that his secretary said that she would love to buy some of the stock in Trans Mountain Oil Pipe Line Company but at \$100 a share she could not although if they were at a lower price she could buy some. People will not buy two or three shares at \$100 or \$150 but they will buy 20 shares at \$10 or \$15.

By Mr. Johnston (Bow River):

Q. If you obtain permission to divide these shares that would mean that the three million odd shares held by the company would be multiplied by five. Now those are held solely by the company and when those are put on the market the value will increase to some extent. What position does that leave the company in financially?—A. We do not know if they will ever be put on the market.

Q. If you are going to have 15 million held by the company surely you would put some of those on the market?—A. Not necessarily.

Q. If you should decide to put them on the market you could change your mind?—A. Yes. We would get a strong reaction from the public. I am sure that this company will remain within the bounds of good financing.

By Mr. Hamilton (York West):

Q. Mr. Morrison, you would not be putting the shares on the market unless you had some use for the money?—A. That is right.

Q. Someone said here that there is no value to the company in this plan. You are not saying that you want to market additional shares in order to get additional capital and it would be easier for you to get it in smaller denominations, what you are saying is for the present shareholders you would like to split up their shares?—A. Yes.

Q. There does not seem to be any real reason for the company to be involved in this at all. What difference does it make to the company whether each shareholder pays \$117 for a share or \$25 for a share?—A. It is just public opinion as far as I can tell. I am green on this matter of finance. My whole career has been in the manufacturing end and that type of thing. I think the reason has been stated plainly, honestly and fairly. I have read *Hansard* and I have seen a lot about profit. The question of profit in this transaction has never come up on the board.

Q. There must be some reason for it other than just a more wide distribution. Is there any person here who can tell us what the experience has

been in connection with any similar company which has divided its shares insofar as value is concerned and what has happened to the share price when it took place?—A. I think it has been a very common practice.

Mr. McQUARRIE: I read an article not long ago which gave a survey of several stocks which had been split over the past year or so. There was no uniformity. The price of some went down and the price of some seemed to stay the same and some went up. There did not seem to be any general pattern.

Mr. HAMILTON (York West): What dividend rate has been put on the shares up to now?

Mr. McQUARRIE: Just one dividend, \$1.

Mr. HAMILTON (York West): \$1 per share?

Mr. McQUARRIE: Yes.

Mr. JOHNSTON (Bow River): If that same profit continues so that the company can pay \$1 per share would that not make a tremendous difference to these 15 million odd?

Mr. McQUARRIE: Not a nickel.

Mr. JOHNSTON (Bow River): They would still be \$1 per share?

Mr. McQUARRIE: They are just dormant; just so much paper.

Mr. JOHNSTON (Bow River): They are paid the dividend and the profit would be divided among all the shares?

The WITNESS: Only those that are issued.

By Mr. Johnston (Bow River):

Q. Of the issued shares?—A. Yes, that is 1,500,000.

By Mr. Cameron (Nanaimo):

Q. Mr. Morrison, you spoke a moment ago about your company's financial advisers. I presume those financial advisers give you advice, and their advice is sought for the benefit of the company?—A. Of the shareholders.

Q. Yes, of the shareholders of the company—not for the benefit of the general public or for philanthropy, or anything else. And, if they give you financial advice, this advice is designed to benefit the company, the present shareholders?—A. Presumably.

Q. Yes, presumably; and can you explain to me in what way your present shareholders are going to be benefitted by this particular measure, unless it may be the intention of some of your present shareholders to unload some of these shares, when they are divided, in order to make tax-free capital gain?—A. That is entirely beyond me. I would not have any comment to make on that, whatever.

Q. Well, is there any value whatsoever to the company and to the present shareholders to be obtained from this measure?—A. Not that I know of.

Q. Then, will you tell us why you have come to parliament asking for it?

Mr. WAHN: Having generally recognized that there is no financial dollar gain to the company from this stock, it is desirable for any company to have a wide and representative list of shareholders. And it has been general experience that if you have shares valued at about \$20 or \$25, you are likely to have more individual shareholders, and a more representative group of shareholders than if your shares are valued on the market at, let us say, \$100 or \$200 or \$300.

So that, generally speaking, public companies like Trans Mountain, like to see their shares—we like to see our shares go up, as evidence of success; but we prefer that the shares should be available for purchase by a larger

group of people. And the basic reason is that—the basic reason for our being here, as I understand it,—is that if you split the stock, five for one, it will mean that the shares, presumably, which are now valued at, let us say, \$115, will be split five for one, and they would therefore be valued at \$23, or thereabouts. It would be easier to purchase and more people would purchase, and we would have more shareholders. Instead of having 5,000 shareholders, we would hope that, with this split, when this split is effected, that within two or three years we might have 6,000 or perhaps 7,000 shareholders; and the more widely our shares are distributed, the better it is from the point of view of the company.

Mr. CAMERON (*Nanaimo*): What difference does it make to the company?

Mr. FOLLWELL: May I ask this question—

Mr. CAMERON (*Nanaimo*): Let him answer this question, first. What difference does it make to the company?

Mr. WAHN: You get more public support, because the people become interested in it; the people become interested in the company. The fact that more shares are distributed, and there is greater interest in the success of the company, of Trans Mountain, as a company, I think it is a good thing for the company to have a lot of people who are interested in its success, and who will support it in every way possible.

Mr. HAMILTON (*York West*): May I just distinguish the point raised by Mr. Cameron's question. He asked what the advantage would be to the shareholders of the company. I think we have got to distinguish in this matter. The company is entirely separate, and I would like to ask what difference does it make to the company whether there are 5,000, 6,000 or 7,000 shareholders, so long as they have the necessary capital to operate.

Mr. WAHN: Well, I have given the only answer I can give. I think—and I believe this is generally believed—that a company is in a better position, and it is better for the company to have 5,000 individual shareholders than for it to have 50 individual shareholders, simply because it then has 5,000 supporters.

Mr. CAMERON (*Nanaimo*): Will you answer this question: You were the president of the company at an earlier stage?

Mr. WAHN: No.

Mr. CAMERON (*Nanaimo*): Then, I must have misunderstood you.

Mr. GOODE: Secretary of the company.

By Mr. Cameron (Nanaimo):

Q. You told me that you considered that it is of value to the company to have a very wide distribuion of stock. Now, I am interested in that. Is this a sudden change of mind on the part of the company officials, because at the time your company was formed when you first got authorization for the 5 million shares you could have had very wide distribution.—A. No.

Q. Why not?—A. Distribution is a function of the cost of the shares. They were sold at \$10. We are trying to get them down again somewhere in that neighbourhood. When they were taken up by the public, distribution at that time was a matter of getting a certain amount of money to finance the company.

Q. Why did you not divide them among 5 million, then?—A. At 50 cents a share?

Q. Yes.—A. Well, you would be down in what they call the penny market. We do not think our dignity—

Q. But now you are suggesting if these shares are reduced to \$23 they will be more likely to go up to \$100 in the next five years than they would

be if they were left at \$100 to go up to \$500.—A. I made no such suggestion, at all.

Q. Well, that is the only reason you are here. I assume that if they go down to \$23, they can go up to \$100 much easier—A. No.

Q. —than they can go from \$100 to \$500.—A. I entirely disagree.

By Mr. Hamilton (York West):

Q. Could there be another reason? Is it not easier for people to retain control of the company with much less of an investment if the shares are distributed through several thousand more people?—A. No.

Q. Then, before you answer that, I would like to know where the request came from. Would you tell us where the request came from? Who made the request to the company? What group of shareholders made this request, that they thought it would be better to have it this way?

Mr. WAHN: So far as I know, there was no specific request. Whenever a company's stock gets up—and I am not an expert in these matters; I am just giving my best information;—but whenever a company's stock gets as high as \$100, or thereabouts, rumours start floating around that there is going to be a stock split—simply for the reason, I guess, that most companies would not think it desirable that their stock should be highly priced, because it cuts down the number of potential shareholders. So that rumours came to the ears of the board of directors of the company that Trans Mountain was contemplating a stock split.

Mr. HAMILTON (York West): Would not the price go up, when those rumours started?

Mr. WAHN: The price has gone up steadily; whether it was caused by those rumours or not, I cannot say.

By Mr. Hamilton (York West):

Q. The question as to the group of stockholders—A. Actually, so far as I know, there was no particular group. May I just comment on that. It is just as important for Trans Mountain, or any other company dealing with the public, to have good public relations; and we consider it to be good public relations.

By Mr. Cameron (Nanaimo):

Q. Do you deal with the public? You told us you were a carrier?—A. We deal with the public in this way, that we employ people and their families and it is the general atmosphere governing the company's operations. We want to be a good company. We want the public to think well of us. But it was really more of a general public opinion aspect that this was advised. It was not suggested by any group or any directors, so far as I know. But the problem came up in the board discussions. That is about the sum and substance of it. There is no thought of making a profit out of it.

By Mr. Johnston (Bow River):

Q. How many shares are being traded on the market now?—A. Oh, perhaps a thousand a day. The highest figure I am able to recall is something like 2,000.

By Mr. Nicholson:

Q. I would like to ask this question—

By Mr. Johnston (Bow River):

Q. Just a moment; is that caused by the shares being at too high a price, or is it caused because there are not enough shares?—A. Those figures—I noted that the stock was rising very rapidly, when there was talk of Suez, and that sort of thing.

By Mr. Nicholson:

Q. What has happened to the price since this hit the Senate some weeks ago?—A. Oh, I don't think anything has happened. It reached a peak of \$120 before this came up, and it went down to \$104 or \$105, and then it came up to \$107. It has been varying. It is the interest, I think, that you people have generated in it that has caused the price to remain up, when the rest of the market has gone down. All this has remained up. We are thankful for that, anyway.

By Mr. Johnston (Bow River):

Q. Let me put it this way: because there are only a thousand shares being offered on the daily market, is that caused because the price of the shares is up to \$115, or is it caused because of the fact that there are not more shares available? What I am getting at that is this—A. I don't know.

Q. What I am getting at is that if you were to issue more of these 3 million shares held by the company, even at a high price, would there not be more shares traded on the market as a result of that?—A. I imagine it would go down—

Q. I cannot hear you.—A. Well, I just do not like to speculate on what the market will do. I tried that one time, and I got burned.

By Mr. Follwell:

Q. Is it not true that the more shares you have out, the less value they have?—A. Yes; they would dilute the value of the others, if we issued more from treasury.

Mr. FAIREY: I would say the price would go down because there are more shareholders to participate in the same amount of profit.

Mr. JOHNSTON (*Bow River*): It would have that desired effect.

Mr. FAIREY: And the return would be less on each share.

By Mr. Hahn:

Q. If I understand it correctly, the reason for there being $3\frac{1}{2}$ million shares left is that the company did not have to sell the $3\frac{1}{2}$ million to get funds to build the line. If they put those $3\frac{1}{2}$ million on the market now, I can see that the market price would be depressed. Those people who do have shares would naturally suffer thereby. Instead of asking us to split the shares in a ratio of five for one, why does not the company take those $3\frac{1}{2}$ million shares and divide those equally among the present shareholders, on the ratio that they now hold stock, and thereby you will have more shares and bring the price down to where it should be.—A. I am afraid I cannot monkey with that type of financing. But our treasurer might comment on that.

Mr. FOLLWELL: I have a couple of questions—

Mr. TAYLOR: May I be permitted to answer the question. First of all, in your proposal, would you issue those shares for nothing?

Mr. HAHN: As I understand it, you have no value for them at the present time, because you have built your line and are in complete operation, and showing a profit each year. The suggestion is to divide them among the present shareholders on an equal ratio to the shares that they have—that is, for the $3\frac{1}{2}$ million.

Mr. TAYLOR: No return in cash to the company?

Mr. HAHN: I see no reason for a return in cash so far as the argument goes this morning.

Mr. TAYLOR: Well, having got that, and if, then, occasion arises that you want to raise more money for some purpose, you have to go back again to increase the authorized capital so that we can sell shares.

Mr. HAMILTON (*York West*): I think that is the very point—if I might go along with that. If this company had come to us stating very clearly that they needed additional capital to expand their enterprise, and for that reason help them to market their securities, and that they wanted to divide the shares five ways for that purpose, then there is a very logical reason for being here; but we have been told very definitely that that is not the case.

Mr. TAYLOR: Assuming that is not the case, sir, we do not need to sell more shares in order to raise money for whatever we may want to do in the foreseeable future. I am not talking about a longer period than perhaps a year or two, but, at the moment, we do not sell shares to obtain the necessary funds to do what we want to do. We are advised that there are other ways of getting money, which are better for very many reasons.

Mr. HAHN: Mr. Chairman, just to follow up what Mr. Hamilton said, and that was my thought—and to carry on from that; the purpose, as we understand it, of the bill, is to bring the price of the shares down to the point where the ordinary man on the street is in a better position to buy. By merely dividing them, we arrive at a point where the company will have 15 million shares, I believe, or 15,500,000, which would mean, in effect, that if you intended to expand, you would have 15,500,000 shares to sell, and that might depress the market even more.

Mr. TAYLOR: If you sell shares for cash, sir, I do not think you depress the market, because the market price, and the price that you would sell the shares at, would be pretty close. So, everyone buying new shares would have the same relative equity as the present holders of the shares.

The WITNESS: Excuse me a moment. There are 3,500,000 shares in the treasury, at \$100 a share. That is an awful lot of money. What are we going to do with \$3 million? If we had 25 million shares at one-fifth of that, that would be the same amount of money.

By Mr. Hahn:

Q. I would agree with that, except for one thing. We do have 3½ million shares available.—A. Yes.

Q. And you have no use for them. Apparently the purpose of the split in stock is to make it possible for more of the public to get shares, and depress the present price of those shares, let us say, to \$20, or \$23. So, there is no guarantee that the price will go down to \$23. Now, under those circumstances, I submit, sir, that by taking the 3½ million shares, and splitting them among 5,086 shareholders on a ratio to the stocks that each one has, it would give those gentlemen just that many more shares. You would have issued the complete number that you require, and you will have accomplished what you have set out to do. If in the future you require more shares, in order to build another line, as I can see you are going to need in the very near future, then I would suggest that the place to come is back to parliament, and it would be parliament's duty, if they saw fit, to give you the right to build it, or give the right to some other firm. But, in the meantime, I feel that what we would be doing, in effect, would be watering the stock.

Mr. TAYLOR: There is an arithmetical point, sir, if I might just raise it. If we followed your suggestion, we would accomplish a three to one split; it would not be a five to one split.

Mr. HAHN: I appreciate that, sir, but a similar purpose would result.

By Mr. Follwell:

Q. I wanted to ask the witness this morning, quite some time ago, about building this second line, and I wanted to ask about the operating capacity, but someone got in before I could finish my question. I wanted to ask the witness if the company has plans to build a second pipe line in the near future?—A. We have actually started a loop. In explanation; a parallel section of line that goes out of the line, goes along parallel, and then goes back in. We call that a loop. We have started two loops, and that is the beginning point of a second line.

Q. How do you propose to finance it?—A. We are actually financing it right now. We will have, probably, another requirement next year, but we can do it without issuing any more stock.

By Mr. Johnston (Bow River):

Q. That would be out of profits?—A. No, sir. It would be senior securities bonds.

Q. It is what?—A. A bond issue.

By Mr. Nicholson:

Q. Mr. Chairman, I would like to go back to this question about the fact that the company appears to be concerned about having the widest possible distribution. Now, apparently a promise was given to issue 5 million shares. Mr. Morrison indicates that, anyone who has less than ten bucks, is in the penny class. I submit that you required about 15 million at that time.—A. I did not say "less than \$10", I said "50 cents to a dollar".

Q. But, at that time you required \$15 million, apparently, and you could have got that by issuing five million shares at \$3 each, not 50 cents. That would have given you five million shares at \$15 million. But, instead of doing that, you limited your issue to 1,504,000 shares at \$10 per share. Now, I wonder if we can have some comment as to why the company considers it important to have a wide distribution now, when it did not consider it important to offer these shares at \$3 each, so that five million shares could have been issued at that time?—A. I frankly do not know. It was considered good financing practice at the time, and now it is considered good practice to do as we are suggesting.

By Mr. Cameron (Nanaimo):

Q. Mr. Morrison, did you and your fellow officers have reason to believe, when you decided to spend the money that you are spending now, and to have this private bill come before parliament, that some of your present stockholders were prepared to sell part of their stock, if this stock division took place?—A. We had no information to that effect whatsoever, and I still do not know. I do not think there is any intention, on the part of our major stockholders, to sell. They are not in the business of holding stock in this company in order to make money. They are essentially oil people, who want to get on with their business of producing oil and getting it to the market, and we are a link in that business. They want to hold this stock.

Q. Then there is no purpose to this bill at all?—A. Public relations, good public relations.

Q. But, if your present stockholders, as you have just told me, are not likely to sell their stock, what purpose is accomplished?—A. Why did parliament make the banks do just what we are asking?

Q. They did not.—A. They did not? Then the chairman of the Senate Committee was wrong.

Q. Certainly he was wrong.

The CHAIRMAN: The Royal Bank issued stock.

Mr. NICHOLSON: Parliament did not ask the Royal Bank to do that at all.

The CHAIRMAN: The Royal Bank issued stock, and there were a great many more shareholders.

By Mr. Goode:

Q. Mr. Chairman, I am very interested in what Mr. Morrison calls "good public relations". Is Mr. Anderson still an officer of your company? —A. Yes.

Q. In 1953, after we discussed this bill in the house—

Mr. GREEN: Was it 1953?

Mr. GOODE: They had brought an application to the Board of Transport Commissioners at that time, and I will discuss that some time today, or tomorrow.

Mr. Anderson made, and I think I can use his words, a desperate attack on the members of parliament, who opposed the workings of the Trans Mountain Oil Company at that time. I could give the details of that speech, but I do not think it is necessary.

Has your public relations policy changed in regard to this stock, from what it was in 1953, when Mr. Anderson very righteously, I think is the word, opposed the members of parliament, who opposed your company at that time?

The WITNESS: I, quite frankly, have no idea of it whatever. I have never heard of any such action on the part of Mr. Anderson. I had barely met him then.

By Mr. Goode:

Q. Then, Mr. Morrison, may I put it on the record. On February 28, 1953, Mr. Anderson, who was then, I understand, the vice president, or general manager of your company, disagreed with some statements that had been made in the House of Commons, and in an address to the North Burnaby Board of Trade, he made a most vicious attack on the members of parliament, who had opposed certain actions of the Trans Mountain Oil Company, before the Board of Transport Commissioners. I wonder, has the public relations policy of your company changed since that time? Or, perhaps you could answer this; has it changed because you are now coming to this committee to have a change in respect of your stock issue?—A. The fact that Mr. Anderson disagreed with some statements that were made in parliament, even though he did vehemently disagree, has no bearing whatever on the public relations policy. I would like to disagree with some of the statements that were made recently. There was a comment in regard to dishonesties, and insinuations, and so on, and I fully disagree with that. Now, does that change our public relations policy?

Q. When was that statement made?—A. I read it in *Hansard*.

Q. *Hansard* of this session?—A. Yes.

Q. Yes, but in 1953—A. I was not there in 1953.

Q. Mr. Wahn was there in 1953, and he remembers that speech, surely, because he was secretary of the company at that time.—A. Why should the company's public relations policy change as a result of an officer of the company disagreeing with something that was said before the House of Commons?

Q. He not only disagreed, Mr. Morrison, he attacked the members of parliament and named names.—A. I think the members of parliament do that regularly, do they not, to each other?

Q. I have yet to hear a member of parliament, at a public meeting outside this house, making a statement against your officers. I have not heard of that.

By Mr. Hahn:

Q. Mr. Chairman, if I might get back to this question of share-splitting, that we are supposed to be discussing, would your financial adviser explain to us what effect it might have upon the share value, if the proposal, that I just made a few moments ago, was acceptable?—A. If he knows, I have no objection whatsoever.

Q. Has anything similar to that been done, to his knowledge?

Mr. TAYLOR: The answer to the second question would be "yes". Something similar to what you have suggested has been done.

Mr. HAHN: And what was the effect?

Mr. TAYLOR: The effect on the value of the shares in the first instance, and perhaps instantaneously, was to reduce them about one third. There would be a further reduction, because such an action would attract the income tax to the shareholders receiving the shares. I cannot estimate what that further reaction would be, sir. There is a rather nebulous situation that comes in there.

Mr. HAHN: Would the fact that the income tax would be included in that, effect—I would not as much, but would it have a drastic effect on it?

Mr. TAYLOR: That would be treated, sir, as a distribution of profit. You would get into difficulty there, sir, and that is why I raise that point.

By Mr. Nicholson:

Q. Mr. Chairman, coming back to Mr. Cameron's question: this poor stenographer, who cannot afford \$115 now, has not any assurance that, if these shares were split, there would be shares available at \$23, and that there would be sellers. He would still be in the position of not having shares available to him.—A. They are bought and sold every day.

Q. But the information that you gave us was, that your major shareholders had no plans to unload their shares.—A. So far as I know, but there would be five times the number that is being traded back and forth now.

By Mr. Follwell:

Q. There is no guarantee of that; it is just an assumption or an opinion?—A. Yes. I do not know how trading is going to be stopped. I know it has been going on at that rate.

Q. Could the witness tell us this? A decision was made apparently by the directors to ask for the 5 to 1 stock split. How many directors are there and how much stock does each one own?—A. There are nine directors and each one has two shares. That I know. That is a requirement.

Mr. CAMERON (*Nanaimo*): Two shares of what?

Mr. FOLLWELL: There are nine directors with two shares each.

Mr. JOHNSTON (*Bow River*): That was a requirement of the corporation.

Mr. CAMERON (*Nanaimo*): Are they their only holdings?

By Mr. Johnston (Bow River):

Q. Are you saying positively that the directors only hold two shares each?—A. No sir. I said that they must have that; that is the only positive statement I can make; it is that they must have two shares each.

Q. Do you know how many shares the directors have now?—A. I know how many a certain number of companies have. But I have no knowledge whatever of how many individual directors may have.

Q. Are you saying that some of the directors are directors of other companies which have large holdings?—A. Definitely; Imperial, Standard of California, and Shell of Canada.

Q. And some of their men are directors of this company?—A. That is right.

By Mr. Barnett:

Q. Earlier in the discussion mention was made that the company last year declared its first dividend of one dollar per share.—A. Yes.

Q. As I understand it, it is quite often the practice of a company not to declare a dividend on its total earnings. Might we be given the figure of what the earnings of the company were?—A. Yes. We have issued reports at the end of each year and there are some of them available. The first year we lost money. The second year, 1953, we turned the corner. And in 1955 and 1956 the earnings went up very fast. Which year would you like, the year in which we declared a dividend, I suppose?

MR. JOHNSTON (*Bow River*): Give us your profits for each year.

MR. R. F. B. TAYLOR (*Treasurer of Trans-Mountain Oil Pipe Line Company*): Mr. Chairman and gentlemen, I would rather give you the profits for each year. In 1953 we operated, as Mr. Morrison has said, for two and a half months only, and in that period we lost \$887,000. In 1954 we lost \$2,379,000. In 1955 we made \$3,086,000; so that over the three years—those three years—we had net earnings of \$1,296,000 roughly.

MR. NICHOLSON: You have no estimate for 1956 available?

MR. TAYLOR: Yes, in 1956 we have earned a little less than \$7 million.

MR. FOLLWELL: When did you declare your dividend?

MR. TAYLOR: In December 1956; that was the payment of \$1 per share.

MR. HAHN: Those are all on net earnings?

MR. TAYLOR: After company taxes, yes.

MR. FOLLWELL: Before dividends?

MR. TAYLOR: That is right.

By Mr. Nicholson:

Q. Mr. Johnston asked about the holdings of the directors. Apparently Mr. Morrison does not wish to give us that figure.—A. I did not say that I did not wish to give it, but I cannot give it individually.

Q. Can you give us the number of shares held by the directors as a group?—A. As to the number of company shares, the National Trust has that of course. I never asked a director what he owned personally. All I was told when I became a director was that I must have two shares. I bought five. We have a list of those who have two thousand and over. I have seen it many times. And included in it are these companies of which the four major ones own 130,000 shares each.

Q. What about the Shell Company?—A. Shell has 130,000, and that money went towards financing.

Q. Did you not mention Imperial?—A. The same thing; they are all the same.

Mr. MCQUARRIE: Part of my duty is to check each year to see if each director is properly qualified. According to the list which I had on April 5, 1956, at that time one director owned two shares; another owned 5,000; one owned 202; another, 102; another, 302; two owned some 2,000; and another one owned five.

The WITNESS: That is the first time I ever heard this.

Mr. JOHNSTON (*Bow River*): Those are individual shareholders; but what about the companies which they represent?

Mr. MCQUARRIE: 5,616 shares as at April 5, 1956.

Mr. BYRNE: That is the number of shareholders in total?

Mr. MCQUARRIE: No, that is the number of directors' shares personally held by directors.

Mr. JOHNSTON (*Bow River*): You would not have any record of how many shares each member of a director's family might have?

Mr. MCQUARRIE: Oh, the stock register is about three inches thick. I did not bring it along. It has about six thousand names in it.

Mr. HAMILTON (*York West*): That is that wide distribution we have heard about!

Mr. MCQUARRIE: It is not as wide as it should be for the number of people there are in Canada.

Mr. GREEN: Mr. Chairman, since it is five minutes to one I suggest we adjourn.

The CHAIRMAN: Yes, it is nearly one o'clock so we shall now adjourn until 4 o'clock this afternoon.

AFTERNOON MEETING

Mr. D. M. Morrison, President, Trans Mountain Oil Pipe Line Company, recalled.

The CHAIRMAN: It is customary to print the evidence of the proceedings of this committee on certain Bills as the Committee decides.

Mr. HABEL: I understand that this committee has already been given the power to print but the quantity was left to the Committee, so I move, seconded by Mr. Garland, that the committee print 600 copies in English and 150 copies in French of its proceedings and evidence in relation to Bill No. 15.

The CHAIRMAN: All in favour?

Agreed.

The CHAIRMAN: Mr. Goode?

Mr. GOODE: Mr. Chairman, because of our conversations in this committee this morning and because of some of the opinions offered by the members of this committee I am going to move an amendment to this bill because I feel that it does not fulfill the accommodation to the shareholders of this company which the officials of this company consider necessary. Therefore I move, seconded by Mr. Follwell, that clause 1 of Bill No. 1 of the Senate, an act respecting Trans Mountain Oil Pipe Line Company be amended to read ten shares without nominal or par value instead of five shares as at present in the bill. That would make clause 1 read: "Each of the 5 million shares without nominal or par value constituting the capital stock of Trans Mountain Oil Pipeline Company, whether such share is issued or non-issued, is hereby subdivided into ten shares without nominal or par value, so that henceforth the capital stock of Trans Mountain Oil Pipeline Company shall consist of 50 million shares without nominal or par value."

Mr. FOLLWELL: Mr. Chairman, in seconding that amendment I would like to point out to this committee that we are only attempting to do exactly what the company wishes done, that is to make available the shares for wider distribution. It was indicated here this morning that there are many persons who would like to purchase shares. For instance a stenographer was mentioned and I am sure there are many others who would like to participate in this great growth of a company which is one of the companies which grow with Canada as it progresses and grows.

That is why I have seconded the amendment. I believe the company should be congratulated for bringing this matter forward. I further believe that if we now accept this amendment we will do exactly what the company has asked, only a little more so there will be more people who could buy the stock.

The witnesses have indicated that the company certainly have no financial gain in this. It is only for the purpose of good public relations and for the purpose of distributing stock. Naturally there would be no different effect in having it ten for one instead of five for one except that those who are trading the stock would trade it at a lower price and there would probably be more trading and more market movement, and quite possibly more appreciable capital gain if anybody wants it.

I particularly think we should bear in mind that parliament has been criticized that there has not been ample opportunity for universal Canadian participation. Although this has been somewhat delayed for five or six years it now gives a really ample opportunity for complete Canadian participation of those who would be able to find a few dollars to invest in the stock. As a matter of fact it has been indicated that if they could buy two shares they might be eligible for a directorship. If any Canadian has two shares and goes to a shareholders' meeting and secures sufficient support at the meeting he could no doubt be elected as a director.

I am pleased to congratulate the company on this forward step and I think we should commend them. Other Canadian companies should do likewise. I believe we as a committee should accept this amendment.

Mr. FAIREY: Mr. Chairman, if I may say a word as sponsor of this bill, I find myself in a difficult position. True it is we are in the hands of this committee of parliament but the fact is that the company at a meeting of its shareholders unanimously decided to take this step of recommending that the capital structure be changed and to ask for a five for one change. It was felt due to the financial set-up of the company and the situation at that time that they were warranted in doing so and that was as far as they were prepared to go. It would mean, of course, that they would have now to have another meeting of the shareholders. Therefore I am not prepared at the moment either to reject or accept, but I would much prefer that the bill be left in its present state.

Perhaps some of the officials of the company might wish to say a word on this matter.

Mr. WAHN: Mr. Chairman and members of the committee, Trans Mountain appreciates the kind remarks which have been made about it. However, we would much prefer that the amendment be not made. The five for one subdivision was unanimously authorized by the directors of the company. Then a special general meeting of the shareholders of the company was called early in January and at that meeting which was very largely attended the resolution asking for their five for one subdivision was unanimously approved.

Those of us here have no authority to agree to anything else. It is recognized that this company was incorporated by the parliament of Canada; it is in the hands of the parliament of Canada, and if you see fit to subdivide these shares ten to one that is within your power. But we would much prefer no such amendment being made. We feel the five for one subdivision is a good thing. It is just a question of degree, we admit, but in view of the fact that a five for one division has been authorized unanimously by the directors and shareholders we would much prefer the amendment be not made.

Mr. JOHNSTON (*Bow River*): I would like to ask a question. I am not indicating my stand on this. In view of what the sponsor of the amendment and the seconder of the amendment have said, that if it was the intention of the company to have these shares more widely distributed—and that would result in the one to five split—would it not follow that their requirements would be more fully fulfilled if it was on a ten to one basis—

Mr. BYRNE: Make it one hundred to one.

Mr. JOHNSTON (*Bow River*): If that was their purpose originally in the split, what effect would it have in respect to public relations if it is split one to ten?

Mr. GOODE: Mr. Chairman—

Mr. JOHNSTON (*Bow River*): I am asking the witness a question.

Mr. GOODE: You also referred to the mover of the amendment and I think—

Mr. JOHNSTON (*Bow River*): On a point of order, I think when I have directed a question to the witness that Mr. Goode should not answer the question for him. I have no objection to Mr. Goode getting up and saying what he likes after the question has been answered. I would like to hear Mr. Goode's comments afterwards, but first the witness.

Mr. WAHN: I cannot disagree with the remarks that have been made, except to say this, that the shares of this company have over the past few years fluctuated greatly. Nevertheless at the moment they are approximately \$117 and at a five for one split the new shares would sell at approximately \$23. It is felt that is a nice or a reasonable figure for shares to have. It is not in the low price stock class, nor is it getting down near the penny stock class; but on the other hand is not out of the reach of the average investor. Whether it was to be ten for one, five for one, or twenty for one, is just a question for judgment. The directors felt a five for one split, taking everything into consideration, was the best possible split at this time. That was put before the shareholders and was unanimously approved at the meeting.

In view of those facts the officers of the company naturally feel they would much prefer to carry on with the instructions given to them and have the five for one split effective. We say that it will result in stock at a reasonable price.

Mr. FOLLWELL: Mr. Chairman, there was one thing which I do not think came out in the committee's questioning this morning, now Mr. Wahn brought it to my mind; that is at the present time he has indicated the stock is selling across the board at \$117 or thereabouts. I wonder if you could tell the committee, Mr. Wahn, what actually the stock is worth in assets with this company at the present time. We all know stock frequently sells much higher than it is worth as an asset and frequently much less than it is worth if you wound up a company and distributed the money available to the shareholders. What would the value of that be at the present time?

Mr. WAHN: I think the treasurer, Mr. Chairman, could give you the figures. I take it that you want to know what the actual value of the assets are.

Mr. FOLLWELL: Yes.

Mr. WAHN: I think Mr. Taylor can give you that figure.

Mr. TAYLOR: Mr. Chairman, to answer the question may require a few words, first; but if you just divide the equity of the shareholders in the company as shown on the balance sheet, to ascertain the value per share, it comes to something over \$14 at the end of 1956. That presumes that, if you are going to wind up you could sell the pipe line for what it cost. In other words, there is \$104 million worth of assets there, and whether they are saleable at \$104 million or \$200 million under present conditions would of course have a direct effect on the figure I am giving. So I would like you to understand that it is simply a calculation of the shareholders' equity divided by the number of shares, which comes out to \$14.

Mr. FOLLWELL: You are saying to the committee that the present book value of the shares is \$14, and the market price is \$117; am I right in that assumption?

Mr. TAYLOR: Yes.

Mr. FOLLWELL: And therefore, may I go back to what you said, that you felt you did not wish this to get into penny stock, and you felt that 5 million shares that was discussed, or a five to one split, discussed at the directors meeting, would bring the stock somewhere about \$23 a share at the present rate.

You, I think, would agree that if you had a ten for one split it would bring it somewhere in the neighbourhood of \$11.50 or \$12 a share which, after all, was its value at the time it was issued. It was considered about right at that time, because, as I understand it, it went on at \$10 a share.

So, consequently, I, personally, in regard to the amendment—the reason I felt I was in a position to second the amendment put forth by Mr. Goode was that we would be returning these shares back to the approximate value that they came on the board when they originally came on. We all know that this company is well managed and well financed, and no doubt will do a real business. Naturally, the shares will continue to grow. And what I think Mr. Goode and I were trying to avoid was that you would have to come back here again in about another three or four years, and say, “We have to have another split of five for one.” We might better do it now, and you will be in a position to have your stock available in the company treasury, if you ever needed it. And, too, as I have indicated, there would be a greater opportunity of participation of Canadians in this wonderful company.

Mr. GOODE: For the first time I now realize that a stock that I propose should be sold at \$11.70 is a penny stock. Your bill says that, “this relatively high market price discourages investment by small investors.”

My idea of small investors would not include those that can spend \$25 or \$50 for a share of Trans Mountain Oil Pipe Line Company stock. My idea of small investors—and I am not one of them—is that such an investor could, if the price was in the right range, participate in the action of any company, regardless of whether it is a pipe line company or some other company.

I fail to understand why the company would not accept this amendment. It is my opinion that a share that will sell at \$11.70 today, properly managed as this company is, could very well be \$50 in six months.

I do not think there is any argument against that, at all. You are worried at the moment that this \$117 share is going much farther than it is today. I do not think there is anyone in this committee who would not agree with that argument. You say that Trans Mountain may represent \$200 before long,

because you are putting in another pipe line and providing more oil in certain quarters, which will put the price of the shares up. You told us that this morning. Now you tell this committee that you want the shares to be in the hands of small investors, and as many of those small investors as possible. Yet you tell this committee that you will not go along with shares that today would sell at \$11.70.

My idea is not that you can pay \$25 a share, in the hands of too many people. I have not that kind of money, and I am sure there are a large number in this committee who have not got that kind of money. I do not own shares of Trans Mountain Oil Pipe Line, and I do not expect to own shares, because I have not the money to buy them.

But as a citizen of Canada I would be far more happy to pay \$11.70 for a share than to pay \$23.40. I regret that the company cannot see fit to accept this suggestion.

Another point is that you tell me, in this committee, that the shareholders have decided they cannot go any further than the five to one. I point out that this bill is now in the hands of parliament, and that parliament and this committee of the House of Commons will decide whether the shares will be five to one or ten to one. If we decide, or if parliament decides that the shares will be ten to one, regardless of the opinion of the directors of the company, the shares will have to be divided ten to one and not five to one.

By Mr. Green:

Q. Was there any discussion at your meeting about dividing the shares at a ratio of ten to one?—A. No, not at ten to one. This amendment, by the way—I am much happier with it than I was with the earlier ones that were put forward. But still, we were here to discuss a split of five to one and that was the considered judgment of the board of directors.

I would have to change now—I would have to accept Mr. Goode's judgment as being better than the judgment of my board of directors, and I do not know that I am prepared to do that at this time. That is about all I can say.

Q. You would not feel particularly hurt, would you, if the change were made?—A. I do not like to give my opinion upon that.

Mr. BYRNE: I notice that Mr. Goode feels that the company is well managed. It struck me that he seems now to wish to have the committee take over the management of it, the management of the affairs of the company. After having said that—

Mr. GOODE: Oh, Mr. Chairman, I rise on a point of order. That is totally unfair. It is not what I said at all. I never intimated that at all.

Mr. BYRNE: I think the record will show that Mr. Goode has just sat down from saying that the company was well managed.

Mr. GOODE: Yes, I did say that, sure.

Mr. BYRNE: And, having accepted that, he proceeds to say that he feels the split should be done differently from the one recommended by the company. The other thing I find that is somewhat hard to understand, in view of the discussion this morning; Mr. Goode was concerned almost entirely with the disposition of the oil, this morning, after it arrived at the west coast.

Mr. GOODE: That is right.

Mr. BYRNE: That is, with respect to the route of the line, and as to where the suppliers were going to sell their oil. But this afternoon, am I to understand he goes into the economics and the financing of the matter? I wonder, myself, just whether or not this is more or less of a nuisance motion. Certainly I do not intend—

Mr. GOODE: I rise, Mr. Chairman, on a point of order. I must ask that that word "nuisance" be withdrawn by Mr. Byrne, and I insist that that be done.

Mr. FOLLWELL: Mr. Chairman, I think Mr. Byrne, upon reflection, will recall that this morning there was some question I wanted to raise, but did not raise. But, in my mind this morning was the suggestion or the information that had been given here, that this pipe line might find itself unable to put the oil where it might be required at a comparative economic price—that is, in the northern part of the western states of the United States.

I think the witness said that there was and could be oil laid in their, depending on the type of transport, whether big tankers now being built to bring the oil in, and take the oil into California—that this pipe line might find itself,—and I might be wrong about this, but if so I should like to be corrected—that this pipe line might find itself in the position where the oil they would bring down from Canada would not be required in that section at all, because they could not put it in at a comparative price.

That being so, I was going to ask the witness if there would be the possibility of something like that happening—that this pipe line might find itself, in connection with transporting oil, in the position where it was bankrupt.

There was in the mind of the witness, as put forward, some suggestion that that could happen—that the market which you are servicing through the pipe line in northwestern United States, might be cut off from you because you could not transport oil there as cheaply as can be done by tanker from South America, or something like that.

I think what Mr. Byrne was thinking—and maybe Mr. Goode was thinking it—I was thinking of what was going to happen to this oil.

Mr. BYRNE: He did not mention it.

Mr. FOLLWELL: My thinking was as to what was going to happen to this pipe line, provided it turned out to be economically unsound. Now, the witness says that they were being pushed because they wanted to have it delivered. They could not deliver it because of the fact they were going at capacity. That is the reason I inquired, if you were going to build another pipe line, how you were going to finance it. It was indicated it was not going to be financed by the sale of stocks, but it was now under consideration that it would be financed by virtue of issuing bonds or debentures.

That, of course, proves that there is great strength in the company, and that they can sell bonds rather than put out new stock, and thus keep the company stronger.

But I think that we should consider, from what the witness said—and this is what I have been considering—whether or not this pipe line was going to be able still to be operated at capacity to serve the northwestern United States, provided these big tankers got into operation and brought the oil in there cheaper than this pipe line could deliver it.

There, again, I think we should now support this amendment, because we are going to have stock split up so that it will be worth much less. And, if anything happened to the company—and God forbid that it does—if anything happened to the company and we had a distribution of stock, the wide distribution of stock would hurt more people but for a lesser amount. So there might be some thinking along that line. You might consider it. Maybe the witness would be kind enough at least to dispel any illusions I might have that this pipe line might not be able to meet the competitive transport market by taking Canadian oil as opposed to tanker oil from South America or Suez, or somewhere else, into the northwestern United States.

The CHAIRMAN: Are there any other questions?

Mr. CAMERON (*Nanaimo*): Well, we want an answer to that one.

The CHAIRMAN: You have all heard the amendment.

Mr. BARNETT: I was waiting for an answer.

Mr. CAMERON (*Nanaimo*): We are waiting for an answer to Mr. Follwell's question.

Mr. BARNETT: I have a question I would like to ask, but there has been no answer to the last one.

The WITNESS: Well, just as an answer to that, is that not the type of risk that any commercial company must face? You have to assess the chances in carrying out the business that you are incorporating, or that you have been incorporated to carry out. And whether it is favourable or unfavourable is going to depend on circumstances.

You have seen and read about the possibility of embargoes in connection with oil into the United States—the independent producers in Texas. That is a hazard. The tariff would be a hazard. We are a better company with our line hooked up to some going refineries than we are without it. That is one of the favourable things.

Mr. FOLLWELL: I appreciate the witness answering that question, because I agree that you are much better off to be hooked up to at least some place you can deliver oil, even if you do not get an opportunity to deliver it, if it ever happens that you can; and apparently you are doing it now.

I would point out again to the committee that the witness has agreed that there is a certain risk to the division just as there is to every other division.

Mr. BYRNE: You want more suckers in.

Mr. FOLLWELL: I am suggesting that an opportunity be given the people to distribute the load so that they would not have such a big risk as they would have under this proposed bill if there were a five-to-one split.

The WITNESS: I did make the point.

Mr. JOHNSTON (*Bow River*): Is that Mr. Follwell's intention, that the loss would be spread over a greater number, or have I not put it in the proper way? Mr. Byrne has said that there would be more suckers.

Mr. FOLLWELL: No, the purpose is not that. It is to help the company achieve what they have asked for, and that is a wider distribution in the hands of Canadians. I do not think anyone will be a sucker in this company, and I have already commended the company, and I do so again. It is one of the best companies there is. I am sure that it is one of the companies that will have the greatest growth, as many companies will have in Canada during our great and prosperous time, and in the next 25 years, as outlined by the Gordon Commission.

However, I think this amendment was put in to assist the company to achieve what they had asked for. I am of the opinion—and I am not suggesting that my opinion is any better than the judgment of the directors of the company who, after all, are getting paid for their opinions; and I presume they are good ones—but I would think, though, that the witness could tell us whether or not there were any suggestions, or whether there was any discussion as to whether there should be just a five-to-one split or a ten-to-one, or if any other discussion was carried on at the meeting of the directors or stockholders with regard to any other different type of split.

Mr. WAHN: Speaking from recollection, I recall a discussion at the directors' meeting as to whether it might be three-to-one or a five-to-one split or ten-to-one. It is obviously a question of judgment. A fifty-to-one split is obviously too much. A two-to-one split is obviously not enough. It is a question of judgment as to what the proper split would be. It might be ten or it might be five.

The directors felt that it should be five-to-one. At the shareholders' meeting the five-to-one split was unanimously approved. I do not think there was any discussion as to whether it should be five-to-one or ten-to-one or three-to-one. It was just—and I mean the shareholders' meeting—a five-to-one split which was accepted, without any further discussion.

Mr. FOLLWELL: I understood there was a recommendation by the directors at the shareholders' meeting that there be a five-to-one split, and the shareholders agreed upon it.

The WITNESS: Yes.

Mr. BARNETT: When Mr. Wahn was making a statement earlier about the unanimous approval of the five-to-one split which was given at the meeting of the shareholders, I recall he said that it was "at a largely attended meeting of the shareholders". How many of the shareholders were present at that meeting?

Mr. McQUARRIE: When Mr. Wahn was speaking, I think he referred to the fact that there was a large number of shareholders represented at the meeting. I have not got the actual number of those who were present, but my best recollection is, that there were about 53 persons present, who represented a tremendous number of shares. In fact, our transfer agents were amazed at the response to the notices sent out, on that particular meeting. The people, who were unable to be present in person, sent in their proxy forms to our transfer agents. There was a great number, representing more than a million shares—a great many more than a million shares. The transfer agents told me that they had never seen such a response to a notice of a meeting of that kind.

Mr. CAMPBELL: What is the voting power of a share?

Mr. McQUARRIE: One share, one vote.

Mr. PURDY: Was it pointed out in the notice, that you sent to the shareholders, that you proposed a five to one split?

Mr. McQUARRIE: Yes.

Mr. CAMERON (*Nanaimo*): Mr. Wahn, I presume that, at this meeting, the shareholders, in the discussion with regard to whether it would be a five to one split, or a three to one split, there was some reason advanced as to what was going to be done after the split?

Mr. McQUARRIE: There was no discussion at the shareholders meeting as to whether it was a three to one split, or any other type of split. A formal notice was sent out to each shareholder, and attached to that notice was a copy of the by-law that had been passed by the board of directors, and which required the assent of the shareholders before it became a by-law of the company. This by-law, and I have a copy of it here, was sent to each shareholder, and it recites exactly what we have asked for in this bill, that is before you now. So, each shareholder knew, when he came to the meeting, or when he sent in his proxy, that it was a five to one split that was being voted upon.

Mr. CAMERON (*Nanaimo*): I would presume, that when the directors sent out this notice, advising the shareholders that they were going to propose this split at the shareholders' meeting, that they would advance some reason for calling on the support of the shareholders? That is to say, they would make some appeal to the shareholders interest, and in some way show the shareholders that it was going to be to their advantage to support it. Now, what were the arguments used in favour of that particular point of view, regarding the interest of the shareholders?

The WITNESS: If we had known that question was going to arise, we could have brought the notice.

Mr. McQUARRIE: I wish we had brought the notice. A letter went out to each shareholder, along with the notice. I have not got a copy of that letter with me.

Mr. WAHN: My recollection, sir, is that the notice simply said, in effect, what is included in that explanatory note to the bill; that the shares were now high-priced, and it was felt desirable to split the shares five to one.

Mr. CAMERON (*Nanaimo*): Perhaps you could tell me, from the point of view of a shareholder of the company, what that individual shareholder would consider he would get, out of this splitting of shares, that would be to his advantage? Can you tell us that?

Mr. WAHN: I think I would feel that the marketability of the shares was important, and that indirectly, and over a long period of time, I might further profit as a shareholder. In other words, as we have said, quite frankly, a share, which is selling at \$117, is not as marketable as a share, which is selling at \$20 or \$25. Therefore, over a long period of time, I would hope, as a shareholder—and presumably that was the view of most of those shareholders who voted for this five to one split—that I would get some advantage as a result of having the shares more readily marketable.

Mr. CAMERON (*Nanaimo*): Would you really think that it would be important for a share holder, in a company with the record that your company has had in the last two years, to dispose of the shares, even at that price? Would it not be perfectly possible for a shareholder, who required to raise money quickly, to hypothecate the shares quite advantageously, having regard to the record of the company?

Mr. WAHN: Yes, I believe it would be.

Mr. CAMERON (*Nanaimo*): Then, I cannot, for the life of me, see what appeal you could have made to your shareholders, unless there was a suggestion, somewhere, that it would provide an opportunity for a quick capital gain, for the shareholder to get rid of part of his holdings, and hang on to the rest of them. I cannot see what other argument you could have presented to your shareholders, that would interest them. We have already been told that there is no real benefit to the company, as a company. It does not improve the company's position. I am at a loss to see what the advantage could be.

Mr. WAHN: I can just assure the member, that no such suggestion was made in that notice that went out. We simply said that the directors considered that it was in the interest of the company to have this wide distribution of stock, just as is said in that explanatory note to the bill. No other inducements, or suggestions were made.

Mr. CAMERON (*Nanaimo*): Will you explain to me just how it is to the advantage of the company, and how it puts the company in any better position, bearing in mind the fact that, according to Mr. Morrison, this company does not deal with the general public? It transports oil for all companies to the oil companies' customers. So, the question, of creating good public relations with the general public, does not come into it at all.

The WITNESS: Oh, yes, it does.

By Mr. Cameron (Nanaimo):

Q. I fail to see how even the worst reputation, in the public's mind, could affect your company.—A. Let me give you one example. Our pipe line runs

from Edmonton to Vancouver. It goes through thousands of peoples' properties. We have to go out and get those peoples' permission to run through their property.

Q. Yes, but you have already got that permission.—A. No, we have not. We have two more loops. We have got a group out now, getting rights-of-way for these loops. We have got to have good public relations. It is one of the most important features.

Q. Mr. Morrison, with all due respect, I must suggest to you, that the property owners, through whose property you are contemplating going with your new pipe lines, will not be affected in any way by the argument, that a great many people have shares in your company. What they will be affected by, is how much you are paying for a right-of-way at the present time. That is the only thing they will think of.—A. You should hear some of the arguments that—

Q. I myself have been in the position of having to grant a right-of-way, and I assure you, that the only question in my mind, as to whether the company I was dealing with, was the sort of company that I wanted to deal with, was the price they were offering for that right-of-way. It was not a question as to how wide its shares were held.—A. I think it is just a matter of an opinion. You have yours and I have mine.

Q. I think, Mr. Chairman, we really must have some better argument than we have had brought before us today.—A. What have we been trying to do for three or four hours? We have talked ourselves out, and there is nothing more to add.

Q. The only conclusion I can come to, is that it is merely a frivolous request.—A. Our stockholders did not seem to have the same suspicions of the company's motives.

Q. Naturally not, because I suspect that your stockholders have a personal interest in this thing that has not yet been admitted.—A. You tell us what it is then.

By Mr. Johnston (Bow River):

Q. I have a question I would like to ask. When it comes to a consideration of public relations, somebody this morning mentioned the fact that the shares of the stock of the chartered banks had been watered on occasions. If I remember rightly, and I am only speaking from memory of the Royal Bank report, if they had issued their profits on the original capital basis, it would have been somewhere around about 23 per cent but, because they split the shares, they were able to issue them at about $3\frac{3}{4}$ or $3\frac{1}{2}$. Now, I suggest, in that case, that the public relations which existed, were much better when there was a $3\frac{1}{2}$ or $3\frac{3}{4}$ per cent, than they were when it was showing 23 per cent.

I am going to make this suggestion: when we split these shares, say five to one—and the condition would be exaggerated to the same extent if we issued them at ten to one—then the position would be this: when you declared your last dividend, you declared it on a dollar per share basis, is that right?—A. Yes.

Q. That was based on one dollar per share, which was given to every shareholder who had shares in the company. Your company is now doing very well, and I congratulate you on that, because I am a free enterpriser, and I want to see the thing go, particularly since I am interested in Alberta, and want to see the development of the oil resources carried out. But, if the company goes ahead and prospers at the same rate as it has, so that your profit per share comes back up to around a dollar and a half, and I do not think I am exaggerating too much when I say that, then it is beginning to climb up pretty fast. But, if you split those shares on a five to one basis, then your profit

per year would only show about 20 cents. That would be fairly good public relations. Now, I come to this: if you show an increased profit per share, on your present basis—and you showed one dollar last year for every share that was held—if this coming year you have to show a dollar and a half, and the next year you have to show probably two dollars, or two dollars and a half, there is going to be the question arise in the public's mind that, if an oil company can transport gas and oil, and show a continuous rise in profit, probably the thing that is wrong is; there is too much of a charge for the transporting of oil, and there should be a lowering in the price. That would definitely have an effect on public relations. The real reason, that you want to split these shares now, is so—you will correct me if I am wrong but, the real reason is, that you do not want to show such a large profit on each share, because it will get to the point, where the public will be saying, that there is just too much money made in the transporting of oil, and that you should be transporting this oil at a lower cost. There will be a continuous cry for the lowering in prices of gasoline. I run a car, and I would like to see the price of gasoline go down a little bit, especially in Ontario. The price here is nearly 50 cents per gallon, and after I have filled my tank once, and used it, then I walk for the rest of the week. I am suggesting that this is the reason behind this. If you mean public relations, being a condition such as I have described to you, I think there should be some further argument in that respect. But, I just cannot see, at the moment, why we should split the shares five to one, let alone ten to one. I think that is going to aggravate the condition, in order to cover up, and I am going to use this word advisedly, an excess profit. Now, maybe I am wrong in this, and maybe that is not what you have in mind, when you speak of good public relations, and when you speak of dividing these shares, but, in my view, it seems to me that, that must be your considered opinion, because I cannot see any other way by which you would acquire greater public relations. Maybe the president can comment on that?—A. No, I am afraid I cannot help you.

Q. Is that not the effect of it?—A. That is just your opinion.

Q. You do not think that would result after the splitting of these shares?—

A. I have no comment whatsoever. You have been telling us what you think has happened.

By Mr. Cameron (Nanaimo):

Q. Can we ask it in the form of a question? Do you consider that the public relations of your company would be improved if, in your next balance sheet, you were able to show that, instead of earning, as you did this last year, \$4.75 per share, you earned about 95 cents per share?—A. I do not know.

Mr. TAYLOR: The same balance sheet would report the split of the stock in parenthesis, and probably would say that the last year's profit, on the basis of the new stock, would be 47½ cents.

By Mr. Nicholson:

Q. I would like to develop this point, that Mr. Johnston has put forward, a little further. To supply a little background, I would like to go back to the last time the company appeared before a similar committee, in 1951.

At that time of course we had the details in connection with the building of an all-Canadian line. We were told that the pipe would be 24 inches in diameter and would run for approximately 715 miles. That was discussed, and the officers of the company intimated that there was a potential market in the Vancouver area for about 37,000 barrels daily and that the company was prepared to undertake a total expenditure of \$86,700,000.

As hon. members have mentioned, this company has had a spectacular financial record. I have done a little calculating since our meeting this morning. It appears that in 1956 you moved an average of 129,000 barrels daily. That was more than you had in mind in 1951, but it was still somewhat less than your maximum according to the information you gave us this morning, and that you planned in 1957 to operate at capacity.

I would conclude that your overhead will not change materially if you move 200,000 barrels daily as compared to 129,000; and if you are able to have a net profit after taxes in 1956 of just under \$7,000,000, I wonder if Mr. Morrison could give us a rough estimate of what the net might be in 1957 assuming that you can operate at 200,000 barrels daily at the present tariff?—A. The treasurer is the man to answer that question. In order to pump large quantities of oil we are going into very, very heavy expenditures this year as well as next year, and we expect to get a return from it.

Q. As Mr. Hamilton pointed out this morning you refrained carefully from saying that you needed financial help from the public to swing this thing. Apparently you had no trouble getting all the funds you needed.—A. In the first section of it. We do not know what will happen a year after. We may try again. We do not know when we want to get money whether our request will receive as favourable a response as it has had.

Mr. TAYLOR: Answering your question, I may say that our overhead will go up quite a bit when we have more equipment, more pipe, more people, and more borrowed money; so you can expect that our overhead will not remain constant. I think if we could say 200,000 barrels a day in 1957 day in and day out on the average throughout the year, it would be fine. We would have a profit after taxes of a little over \$10 million. That of course if just an estimate because there are all sorts of things that happen to estimates.

Mr. NICHOLSON: Yes. As I said, I did a little calculating and I found that it would probably be around \$11 million on the basis of net profit of \$7 million or somewhere between \$10 million and \$11 million.

Mr. TAYLOR: Yes.

Mr. NICHOLSON: It would appear to me that you might, in the foreseeable future, be able to pay a profit of probably \$10 per share if you continued to improve your position in the next few years as much as you have done so in the past few years. But even on the basis of the figures you have given, a net profit of \$10 on \$1,500,000 would appear to be an embarrassing dividend to be reporting to the public. I think this matter of public relations will be involved in the fact that for every \$10 share which the shareholder takes in 1959 there is to be a dividend of \$10 per year, so it would appear to me.

Mr. TAYLOR: You are assuming that we pay all our profits out in dividends, but that is not the case.

Mr. NICHOLSON: No, you are not going to do that. The net worth of the shares, I think you told us, was \$104 million, and you have an investment representing about \$14 per share at the present time on 1,500,000 shares. That would represent about \$14 per share, and those shares are now selling on the market at about \$114 or \$115. So it would appear to me that when a company gets into such a position and the stock splitting device is introduced—I recognize that stock splitting does not necessarily result in an increase in the price—but coupled with substantial increases in dividends, stock splitting does so result. That has been the record of stock splitting. It does result in an upward swing in the price of the stock.

I think in Canada with the very real problem we have of tight money, members of parliament should take a pretty careful look at a proposal which to me at least appears to be very very inflationary in that it suggests that those

who hold shares at a cost of \$10 and which are now selling \$114 should get five shares for each one share they held before; and if you make a net profit in 1957 of \$10 million, it would appear there is going to be quite a scramble to get hold of those shares that are going to be placed on the market. So I would like to have some further comment regarding the fact that if they should be split, there is a prospect of \$10 million net being made available next year as

Mr. TAYLOR: I do not think I can express an opinion on that. I have in my mind an impression that you are trying to bring it out that if we report \$4 a share in one year, and then split the stock and then only report, let us say, so many cents the next year, that we are concealing profits. That just is not so because financial statements come out in full and nothing is buried.

Mr. NICHOLSON: Public reaction against paying \$10 and \$4 as a dividend on a \$10 share is quite different to what it is when you pay 80 cents as dividend on a share; it is not quite as offensive to the other taxpayers who are not able to get into as favourable a position as that.

Mr. PURDY: Does it give the stockholder any more money?

Mr. NICHOLSON: That is the thing; that is why this bill is before us.

Mr. JOHNSTON (*Bow River*): I doubt if it is an effort on the part of the company to hide profits. I do not think that is the purpose. But it would be better public relations if you were to pay \$1 per share than to pay \$4 per share. I think that is where the point comes in. It is not because you are hiding profits at all.

Mr. CARTER: I understood from the witnesses today that the book value of the shares was around \$14 each and that the market value now is \$117. If you water them down five to one, you will still have a market value which is in excess of your book value. Will that not increase your assets in your shares, the total book value of your shares?

Mr. TAYLOR: No sir.

By Mr. Carter:

Q. You will have more shares now worth \$14. You will have five shares worth \$14 where you only had one before. I would like to clear up that point. And another question is this: what are the rates which you charge for the transportation of oil? Are those rates fixed by the Board of Transport Commissioners?—A. No sir. They are filed with the Board of Transport Commissioners. We have a tariff printed and it is sent to them. We have not been declared a common carrier, you see.

Q. Do you have to make any report to the Board of Transport Commissioners?—A. I do not think so as such, no. They have all the information, and they have the reports, and they could at any time require us to amplify them.

Q. If there is a balance sheet of profits indicating your overhead for your services for the transportation of oil, do the Board of Transport Commissioners have any information on which to base their enquiry? Do they have any check or control over it at all?—A. I think they could get all the information they might want.

Mr. WAHN: Our financial statements are filed with a governmental department, the Department of the Secretary of State.

Mr. JOHNSTON (*Bow River*): I do not think the Board of Transport Commissioners would have any control as to what rates you charge. That would be governed competitively.

Mr. WAHN: They have no control until we are declared to be a common carrier.

Mr. JOHNSTON (*Bow River*): At the present moment your rates are based on competition.

By Mr. Barnett:

Q. When we listened to Mr. Morrison this morning he did lay a good deal of emphasis on the question of the desirability of improving your public relations. I think that perhaps has led to the development of the suggestion put forward by Mr. Johnston and Mr. Nicholson. That is one possible explanation of the public relations angle. Apparently, as far as I could gather, so far as the officers of the company are concerned, they do not seem to be very anxious to comment on whether that is what they had in mind or not when they discussed public relations. Quite frankly, so far I have not heard any suggestions from them which would indicate in what other direction they are interested in the improvement of their public relations. With respect to this clause 1, even the proposal put forward or the suggestions offered by Mr. Johnston and Mr. Nicholson do not explain what is involved in the public relations of the company. I think perhaps we should have a little more explanation of what Mr. Morrison had in mind when he stressed the matter of public relations to us this morning.—A. Public relations is just what the public thinks about you. There is nothing more I can say about it.

By Mr. Campbell:

Q. I have been sitting here in the hope that the officers of the company would advance some reason for bringing this bill to this committee. You say that it is primarily for the purpose of getting better public relations, but it is hard for me to swallow that. It seems to me that there should be some other reason for a company of this size to spend its time, and money, and to send its officers down here and take up the time of members of parliament than merely for the purpose of creating better public relations.

If this company were a large department store or a large concern doing business thousands of people there might be something to it. But you are doing business with a very small group of people and it seems to me that we should hear from you a better reason for asking for this stock splitting.—A. It is a technical matter and that is why we are here. I think the technical men should answer it.

Mr. WAHN: We do not purport to be original thinkers particularly. It is our understanding and belief that most companies feel it desirable to have a large and representative shareholders list even though they do not consume oil directly. That is not original thinking. Most companies feel that way and we share that view. You may be right or wrong, but that is our view, and that is the principal reason we have been asking for it while we have been here today. We think it is in the interests of the company to have the shares split.

Mr. NICHOLSON: Why did you not issue more shares to the public in the beginning? You had a \$10 price per share at that time and it was purely arbitrary?

Mr. WAHN: We needed at that time to raise approximately \$50 million by the issuing of stock. The stock has no par value and while we asked \$10 for it we might just as well have asked \$100 or \$1. It was a question of judgment. We thought at the time that a \$10 price was good as any other. It could have been twenty or five. It was any man's guess.

Mr. NICHOLSON: Why are you limiting it to 450,000? Why did you not issue more to the public.

Mr. WAHN: We issued 450,000 to the public and 250,000 to a large number of the Alberta oil companies. That meant that approximately half the stock was going out to the public. The balance was originally issued to the sponsoring companies which guaranteed the bonds.

Mr. GOODE: Mr. Chairman, the statement has been made that the \$10 price was as good as any other. That was not my statement; it was the witness who made the statement. I am just suggesting in my amendment a price exactly the same, \$11.70 against \$10. The witness said \$10 was as good as any other at that time. Why then is not \$11.70 as good as any other price at this time. May I have an answer to that, Mr. Chairman.

Mr. NICHOLSON: Before—

Mr. GOODE: May I have an answer to that question.

Mr. WAHN: The only answer that I can give is that it is the judgment of the board of directors and the board decided that a five to one split is more desirable than a ten to one split.

Mr. CAMERON: Mr. Wahn, granted for a moment that there is some material advantage—and I cannot see that there is—to a company such as this is in having a wide distribution of its stock, what reasons have the officers to suppose that this stock splitting will result in a wider distribution? Have any of the present shareholders indicated they intend to put some of their present shares on the market? Do you know of anything which would induce them to do so? Can you think of a better investment?

Mr. WAHN: As a direct answer to that question, shares are being sold every day on the market. I do not think the company has been informed of any shareholder who wishes to sell his shares.

Mr. NICHOLSON: The shares are very limited every day, are they not?

Mr. WAHN: It varies from time to time. In the past few months we have been eating up share pads at the rate of 125 a month which indicates a great change from day to day. People are buying and selling shares the same as in other companies.

Mr. JOHNSTON (*Bow River*): Can you tell us how many shares were offered. I think you said this morning about 10,000 shares were traded in the average now in a day. How many shares were offered? There may have been only 10,000 traded, but how many were offered?

Mr. TAYLOR: We know nothing about stock market operations except what we learn through the newspapers.

Mr. MCQUARRIE: I do not think anybody said anything about 10,000 a day being sold.

The WITNESS: I said there seemed to be around 1,000.

Mr. JOHNSTON (*Bow River*): I am sorry. I think it should be changed to 1,000 instead of 10,000

The WITNESS: With reference to the time of the officers of the company being taken up here, we would not be here if we were not incorporated by act of parliament. If we were like any other company it would just have been done.

By Mr. Campbell:

Q. It seems small reason to come down just for the purpose of improving public relations.—A. It is because parliament requested it.

Mr. FOLLWELL: Mr. Wahn said that there was no discussion at the directors' or the shareholders' meeting of the stock being split other than five to one, or rather that there was a discussion but it never came up that it should

be ten to one. The witnesses have indicated quite rightfully, so I believe, that they do not welcome this amendment particularly because of the fact that they would no doubt have to consult with their stockholders or directors to see if they would agree to this amendment. I can quite readily understand that. I feel that perhaps the committee should give them ample time to consult with their board to find out if there is any particular reason why they could not accept the amendment of ten to one rather than five to one. I can readily understand they probably came down here with nothing else in their minds but the terms in the bill as indicated. However this has now come up and the committee seem to be somewhat interested in it. The witnesses here have indicated that they can see it would have no effect particularly on the company but they are not sure that this judgment was given properly, in their opinion, or was given rightfully, although those of us who moved this amendment think our opinion although it may not be quite as good is of some good. Consequently as it would not affect the company in what they are attempting to do but would rather assist them in doing what they are attempting to do, and that is to get a wider distribution of shares, it might be that the committee would like to indicate to those who are here that we would like to give them time to consult with their directors in order to discuss this amendment. Perhaps we were not fair in bringing in this amendment this afternoon, their not having seen it before and not having had an opportunity to think about it. I would be prepared to suggest that the committee be kind enough to permit the officers who are here to have the opportunity of taking the purport of the amendment back to the company to discuss it with them and tell us what they think about it.

By Mr. Johnston (Bow River):

Q. Mr. Chairman, I would like to ask this question. If the shares were divided one to ten, the mover of the motion and the seconder have indicated that it would bring it down to \$11.70 or something like that. Does it necessarily follow, if these shares are divided one to ten, that the market price would come down to \$11.70? I do not think it does because the market price would depend entirely on the number of shares that were put on the market. If the people who have those shares decided they would not put them on the market but would rather hold them in the hope of getting an increased dividend and making a profit on a long-term basis, I do not think it would have any effect at all on the market. I understood the company to say they wanted to split these five to one in the hope that when these shares are distributed to the present holders there would be more put on the market. It does not necessarily follow because the shares are split they are going to be put on the market at all. I do not have any shares in the company but I think if I had ten shares and was given a split at one to five and would have fifty that I would not part with those; rather I would keep them in the hope that the profits would increase and I would make my money on a long-term range. The suggestion that they would have a wider distribution I do not think necessarily follows. There are 476 companies, I believe, who hold shares in this pipeline company. They have about 800,419 shares. I think it was expressed by the witnesses this morning that they did not anticipate that these companies would dispose of their shares. The companies did not buy these shares for the purpose of speculating on the market, but rather to have a say in the operation of the company. So it is not likely, when these shares are split one to five, it will have any material effect on the greater distribution of those shares. In the case of the 5,806 shareholders who hold 1,500,000 shares it may be a different story. No doubt some of those, after the split occurs, will decide to take a quick profit and put some of them on the market. To the extent they do put

them on the market the market will probaly be reduced some. But I do not think we should take it as a fact. I hope the witness will correct me if I am wrong when I suggest that because the shares will be split one to five does not necessarily mean there will be a tremendous amount put on the market and that the price will drop from \$117 down to \$23.—A. I hope that we will have a chance to find out.

Q. I think that you are a good enough businessman to know that these shares will not come down to \$23 just because of the indicated split here. It seems to me that these shares will not come down to the \$23 which was proposed, or which was hoped for by the witness. Therefore it is not going to have the effect of giving a wider distribution of these shares as was indicated to us. So that brings me back to my first question this afternoon: is that really the purpose of the public relations to which reference was made, or is it the one that indicated that they will make less profit showing on each individual share? It cannot help doing so, because that is done in every other company in which there has been a split. I think that those are the public relations to which the president and other witnesses have made reference this afternoon.

Mr. NICHOLSON: Some reference has been made earlier today to the prospectus. Was that filed with the committee, or are there extra copies of the prospectus available for the committee members?

Mr. TAYLOR: 1951?

Mr. NICHOLSON: Yes.

Mr. TAYLOR: I have no copies here.

Mr. NICHOLSON: Have you a copy filed with the committee?

Mr. TAYLOR: I have one copy only.

Mr. NICHOLSON: Could it be filed with the committee for purposes of reference?

Mr. WAHN: You will find the prospectus is a matter of record with the Department of the Secretary of State.

Mr. NICHOLSON: It is customary for us to have the prospectus available when the committee is meeting. I appreciate the position of Mr. Morrison. I agree that if it was not a company that was crossing provincial boundaries, or a company that is in a position similar to that in which the railways were fifty or sixty years ago, that it would not be necessary to come to parliament. But pipe lines are going to be as important in our economy in the future, perhaps, as the railways have been in the past. And we are doing no more than our duty in examining very carefully the proposal which has been brought before us.

I notice that this proposal passed the Senate very quickly on January 24 and January 30. But we, apparently, want to have a little more information, and want to make a little more careful examination of it. I think that it is a matter of some considerable concern if the earnings in 1957 are going to warrant a dividend of 40 per cent per annum for every \$10 share which was subscribed four years ago.

I think we are merely doing our duty in having a careful look as to whether in a very critical inflationary period in Canada we should give our blessing to having more speculation—and actually that is all that has been presented to us. It has been argued that if these shares are available at \$15 you can sell ten of them at \$15 easier than you can sell one hundred at \$15, and a good deal easier than you can sell them at \$115. I do not think there is any information which has been placed before this committee, except that if the bill is passed there will be speculation in a very profitable share.

And I submit that since it is paying probably 40 per cent to the original holders at this stage, they should be satisfied with that.

Mr. FAIREY: Was it not stated by one of the witnesses that all the profits are not distributed as dividends?

Mr. CAMERON (*Nanaimo*): Each shareholder has a share of the equity.

Mr. NICHOLSON: \$4 would be only six million and it is anticipated it will have a net earning of \$10 million next year.

Mr. FAIREY: Not to be distributed as dividends.

Mr. NICHOLSON: It is an asset and net worth, and they would be on safe ground in distributing \$4 for a share in 1957, if they wanted to. They do not have to, but they could do that. But I think because of public opinion they might decide that they would not be wise to do that. And I think under the circumstances that we should be asked to aggravate a very real problem in the speculation in stock of this type.

Mr. GREEN: I must say I am impressed by the suggestions made by Mr. Follwell and Mr. Goode. I think they are in line with the times. We are all hoping that there will be a broader investment by Canadians in all of these companies, particularly the key companies having to do with the development of our natural resources.

I think if these shares are split into ten-to-one rather than five-to-one, it would be far more likely that large numbers of people would buy them, not only buying shares which have already been issued and are sold by private shareholders, but also when the time comes that the company has to raise further money by issuing stock. I think if that price were cut, as Mr. Goode and Mr. Follwell have suggested, there would be far more likelihood of the regular Canadian, the Canadian who does not come into these things in a big way, picking up some shares.

For that reason I would support the amendment. I do not see that it hurts the company a bit. It does not upset their balance. These officials cannot agree to it, of course, because they have been authorized by their shareholders and by their directors to ask for a five-to-one split. But I do not think that either they or the other men running the company would be very much upset if the split were made ten to one instead of five to one.

I do suggest that it is along the line we all want to go, of getting Canadians into these things, rather than having them all held by Americans. I do not doubt that many of these Canadian companies that hold shares in this particular company are only Canadian subsidiaries of American parent companies. What we are aiming at is to get more Canadians in, to get individual Canadians in as shareholders in these companies. I think the amendment these members have suggested would help bring about that result.

Mr. CAMERON (*Nanaimo*): I do not share Mr. Green's optimism, that it will widen the holdings of the shares of this company. He suggested that the time may come when the company will have to issue more of the shares it holds in its treasury. I would doubt that very much in view of the estimate that was given us just now by the company treasurer, that in this year the net earnings will increase by about 50 per cent over those of last year, and that last year's increased—well, I forget just how much—I believe it was twice what they were the year before.

It seems to me that if the company should find itself in need of extra funds, then it would mean that it was no longer in the very pleasant financial position it is at the present time, and the shares would not go on the market with the speed that they have gone up to date.

As for the stock split scheme, increasing the trading in the shares, I am a little doubtful about that, too. From the figures given to us this morning,

I find that only about one-quarter of the shares now out of the company treasury are in the hands of individuals. It is just about one-quarter or 350,000 out of $1\frac{1}{2}$ million. That is about a quarter. And the company's secretary has just now remarked that this year, and for some time past, the shares certificates were going out at the rate of about 2,500 a month. Is that correct?

Mr. TAYLOR: Yes.

Mr. CAMERON (*Nanaimo*): I do not know how long it has been going on; but, if that was a steady rate, it would be at the rate of about 300,000 a year. That is all that is in private hands, anyway.

So it appears that as much trading as one can expect is now going on with regard to the shares likely to be traded, because the president of the company told us that there is very little likelihood of the majority shareholders, who are companies and hold three-quarters of the stock—very little likelihood of their putting their shares on the market, whether it is split or not.

So again, I think we have to come back to what are the real reasons for this move at the present time. However, I am unable to avoid the conclusion to which Mr. Johnston came, that this would put a, shall we say, less affluent aspect on the affairs of the company; and I can well understand that they might wish to do that. Because the time may come when public opinion with regard to the prices that must be paid for oil products, part of which is attributable to the profits made by such companies as the Trans Mountain Company—that the public demand with regard to that will be so severe that this company will be declared a public carrier, and that the charges made by it will be regulated, and that they may be severely reduced from year to year, when the general public sees reports of the enormous net earnings per share.

Now, it is true enough, as the secretary said, that nothing will be concealed from the people who make a habit of looking at company balance sheets, which is I suppose perhaps one-hundredth part of one per cent of the population. And about one person will look at a balance sheet of a company, that is, one in every thousand who would see a newspaper report showing that Trans Mountain Pipe Line Company has declared a dividend of so much per share. They may be discreet enough not to distribute too much, as Mr. Fairey was suggesting.

Mr. FAIREY: I did not suggest that, at all.

Mr. CAMERON (*Nanaimo*): That they did not distribute it, or that they had not distributed it in the past, in dividends.

Mr. FAIREY: I do not know if it is distributing all its profits as dividends.

Mr. CAMERON (*Nanaimo*): No, it does not. But, on the other hand, every shareholder of a company has a share of undistributed profits. It is part of his equity in the company.

Mr. FAIREY: It may be ploughed back as capital.

Mr. CAMERON (*Nanaimo*): It is part of his equity. And I suggest it may very well be in the interests of this company to becloud the issue in this matter, by not concealing from the people who know where to look, but by creating the impression in the public mind that the net earnings per share are not as colossal as they have been in the last year.

For that reason I suggest also that it is not in the public interest that the parliament of Canada should grant this request at this time. Certainly it is not, until we have had much more convincing arguments that this particular measure will benefit the people of Canada, and not exclusively the fortunate shareholders of the company.

Some Hon. MEMBERS: Question?

Mr. GOODE: Mr. Chairman, I just wish to point out to the committee the proceedings that took place in 1951, when this company first came to the parliament of Canada for incorporation.

I want to read from page 100 of the report of that committee. The chairman at that time had some doubt as to whether there should be a charge on the capital stock. The committee determined, on motion of Mr. McIvor, that the committee report that each share be deemed to be worth \$11, and that was agreed to by the company at that time.

All Mr. Follwell and I are trying to do is to bring in that same idea. The company agreed to it in 1951, but for some reason they will not agree to it now: I agree with Mr. Follwell that these directors should be given time to go back to their shareholders, because this amendment only carries out what their own bill proposes to do. I repeat again the last two lines of the explanatory notes in regard to the bill: "This relatively high market price discourages investment by small investors."

Mr. Follwell, and I, have tried to do exactly what the committee agreed to, in 1951, and that is to bring the shares down into a class of about \$11. I do not think the amendment is unreasonable. I believe this company should be given time, so that the directors can go back to their shareholders and determine whether it should accept the ten to one split, or not.

Mr. FAIREY: Mr. Chairman, may I say a word here? There seems to be the impression, that a split of ten to one is preferable to a split of five to one. My principals are in this position: They have come here, with the bill drawn up, as a result of a decision made by the directors and shareholders of this company. They are not in a position to say they either accept the amendment or reject it. Nevertheless, rather than create the feeling of uncertainty, and to delay the passage of this bill, and to lengthen the period of the uncertainty, if this committee, which is representing parliament, feels that a ten to one split is preferable to a five to one split, then all right, we would much prefer to do that, than to have the matter delayed further. I must repeat, however, that the officers of the company would have much preferred the five to one split, which they have come here to recommend. But, if this committee feels that a ten to one split is preferable, then they can order the company to do that, and the company will have to obey that order.

Mr. JOHNSTON (*Bow River*): There is just one point, Mr. Chairman. Mr. Fairey has made the assumption that the committee would be agreeable to the one to ten split. Now, there might be some who would be favourable to that, but I think that is a rather wide implication. I cannot see that a ten to one split is any better than a one to five split. I think the principle is there, nevertheless. I do not want to say, at this stage, that I would support the bill, if the company agreed to make a ten to one split. I would have to reserve my judgment on it.

The CHAIRMAN: Let us put the amendment to a vote.

By Mr. Garland:

Just before the question is put; earlier today you said that future financing would be handled in the same way as a bond issue. I wonder if the president, or any of his officers, would care to comment on what effect, if any, this stock split would have in future financing?

A. By "future financing", you mean financing that is going on right now. I think it has no effect whatever. It is going on now, whether it has an effect or not.

By Mr. Nicholson:

Q. It would not make any difference?—A. No. What the future will bring, I do not know. Would anyone care to tell me?

By Mr. Follwell:

Q. You have indicated, I think, Mr. Morrison, that you are putting in one, or two, or three loops, I am not sure, to increase your capacity. Is that the extent to which you intend to go in the future, and that will be the end of your line? Some companies, of course, can only go so far, and then they are finished. But, your company, I think, is not in that position. Are you indicating, to this committee now, that you do not intend to do any further financing at any time in the future, than you are doing at the present time?—A. Not at all. I say, there is some underway now.

The CHAIRMAN: Perhaps we should let the committee decide whether this amendment carries or not.

You have heard Mr. Goode's amendment. All those in favour hold up their right hands, please.

Mr. GOODE: May I have the committee polled, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. GREEN: Mr. Chairman, we have been in a lot of committees, and we have had a lot of polled votes taken in those committees. The way to do it is; call every name on the committee, whether they are here or not, and those that are here can vote either yes or no.

The CHAIRMAN: All right.

The Clerk after polling the members: yeas, 6; nays, 14.

The CHAIRMAN: I declare the amendment lost.

Shall the preamble carry?

Mr. GREEN: What is it you are putting now, Mr. Chairman?

The CHAIRMAN: The preamble.

Mr. GREEN: Let us deal with the clause first. You just defeated that amendment, and you have to carry the clause now.

The CHAIRMAN: The preamble is first.

Mr. FOLLWELL: Mr. Chairman, is there a discussion now on the preamble?

The CHAIRMAN: Yes, on the preamble.

Mr. BARNETT: On a point of order, Mr. Chairman. As I understood it, before the amendment was moved, on which we have just voted, you had called clause 1, and we had been discussing clause 1 of the bill.

The CHAIRMAN: No, we were discussing the preamble to the bill.

Mr. GREEN: Mr. Chairman, the amendment was made in respect of clause 1. Now, how we got there, right or wrong, I do not know. But, the amendment was to change clause 1. Now, all that has been done was to defeat that amendment.

The CHAIRMAN: We were on both together.

Mr. NICHOLSON: You cannot discuss two propositions at one time, Mr. Chairman.

The CHAIRMAN: I shall call the preamble.

Mr. NICHOLSON: Mr. Chairman, we are still on clause 1. There was an amendment to clause 1, and it was not finished.

The CHAIRMAN: The preamble comes first.

Mr. NICHOLSON: No, Mr. Chairman, with all due respect—

The CHAIRMAN: I shall call the preamble now.

Mr. NICHOLSON: Mr. Chairman, with all due respect, there was an amendment to clause 1 which we were discussing.

The CHAIRMAN: Yes and that has been voted on now.

Mr. NICHOLSON: You cannot get away from clause 1 until the committee decides to. You cannot jump from clause 1 until it has been disposed of.

Mr. GREEN: I do not know what difference it makes, but clear away clause 1 first.

The CHAIRMAN: Shall clause 1 carry?

Mr. BARNETT: Mr. Chairman, there has been no vote taken on clause 1.

The CHAIRMAN: Shall I report the bill?

Mr. NICHOLSON: Mr. Chairman, there has been no vote taken on clause 1. We have no way of knowing whether it was carried, or defeated.

The CHAIRMAN: All right, we will take a vote on clause 1.

Mr. GOODE: Mr. Chairman, before the vote is taken, I want to place my position on the record. I have moved an amendment to this clause, because I felt it was in the public's interest to do so. That amendment has now been defeated by this committee. I shall now vote for the bill.

Mr. BARNETT: Will you call a vote on clause 1?

The CHAIRMAN: Shall clause 1 carry?

Mr. BARNETT: May we have a recorded vote on clause 1?

The Clerk after polling the members: yeas, 15; nays 6.

The CHAIRMAN: Clause 1 adopted—Preamble adopted. Title agreed to.

The CHAIRMAN: Shall I report the bill?

Agreed.

